

Directors' Remuneration Report



Simon Holden, Chair of the Committee

“The Committee oversees the remuneration of the independent Board of Directors. Board remuneration must align the intellectual capital and time commitments required of Directors in fulfilling their fiduciary responsibilities, overseeing key operational projects, and ensuring the Company achieves strategic milestones and continues generating underlying operational performance for Shareholders and stakeholders alike.”

Dear Shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 March 2022, which has been approved by both the Remuneration Committee and the Board.

During the year we reviewed our Terms of Reference to re-confirm it reflects best practice under the AIC Code including periodic, independent review of Director Remuneration.

The Directors of the Company, a constituent member of the FTSE250 Index since March 2020, have enhanced fiduciary responsibilities as the Board of a self-managed fund and collectively, provide a diverse body of expertise relevant to the acquisition, management and value enhancement of intangible music copyright assets.

Having due regard for the time, skill and effort required of Directors in fulfilling their duties to your Company, it is the Committee's view that Directors were fairly remunerated for their work during the past year and their fees have remained flat for the second year in a row.

The Committee will complete a triennial, independent review of director remuneration during the year ending March 2023.

Purpose and Aim

Our terms of reference, which are reviewed annually, are set out on the Company's website (<https://www.hipgnosissongs.com/governance/>). We are responsible for recommending and monitoring the level and structure of remuneration for all the Directors, taking into account the time commitments and responsibilities of Directors and any other factors which we deem necessary, including the recommendations of the AIC Code.

We are also responsible for the review of any workforce remuneration and related policies and the alignment of incentives and rewards with culture and consider these when setting the policy for executive director remuneration. At the moment this involves oversight of the arrangements for the employees of HSG, managed by Hipgnosis Song Management Ltd. As at the year ended 31 March 2022 although the Company has employees within HSG, none of the employees are classified as Senior Executives as they do not report directly to the Board of Hipgnosis Songs Fund Limited. At the time of the acquisition of HSG, the Board clarified certain elements of both the Investment Advisory Agreement and the Financial Position and Prospects Procedures in order to delegate full responsibility for the operations of HSG to the Investment Adviser. Accordingly, the Investment Adviser is responsible for HSG's operations, including its executive remuneration, budgeting and performance management.

Membership and Meetings

As at 31 March 2022, the Committee comprised:

Mr Simon Holden (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Ms Vania Schlogel (appointed 19 October 2021)
Mr Andrew Sutch
Mr Andrew Wilkinson

We meet at least once a year pursuant to our terms of reference. During the year we met on one occasion, on 8 December 2021. Attendance is disclosed on page 88. A quorum is two members. Members of the Committee are not involved in matters affecting their individual position.

Directors' Remuneration

The Directors continue to be paid in Sterling.

Each Director receives a fixed fee per annum based on their roles and responsibility within the Company and the time commitment required. Since 1 April 2020 the Chair has been entitled to annual remuneration of £85,000, the chairs of the Audit and Risk Management Committee and the Portfolio Committee have been entitled to annual remuneration of £81,500, and the other Directors have been entitled to annual remuneration of £75,000.

All Directors are non-executive. The Directors' remuneration, excluding disbursements, for the year ended 31 March 2022 amounted to £458,360/\$613,720, with outstanding fees of £18,750/\$24,745 due to the Directors at 31 March 2022 (31 March 2021: £582,000/\$762,068 with outstanding fees of £nil due at 31 March 2021). There were no supplementary fees paid to Directors in the year ended 31 March 2022. Directors are reimbursed for out-of-pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

In accordance with the AIC Code, we consider the level of the Directors' fees at least annually.

During the year ended 31 March 2022 the Directors' remuneration was as follows:

	Fixed Element FY2022 £	31 March 2022 Total £	31 March 2022 Total \$	Fixed Element FY2021 £	Supplement FY2020 £	Additional Payment FY2021 £	31 March 2021 Total £	31 March 2021 Total \$
Andrew Sutch	85,000	85,000	113,811	85,000	25,000	15,000	125,000	163,458
Paul Burger	81,500	81,500	109,124	81,500	25,000	15,000	121,500	159,105 [†]
Andrew Wilkinson	81,500	81,500	109,124	81,500	25,000	15,000	121,500	158,865 [†]
Simon Holden	75,000	75,000	100,421	75,000	25,000	15,000	115,000	150,338
Sylvia Coleman	75,000	75,000	100,421	75,000	9,000	15,000	99,000	130,302
Vania Schlogel*	60,360	60,360	80,819	N/A	N/A	N/A	N/A	N/A

* Note, Vania Schlogel appointed to Board on 11 June 2021 and Committees on 19 October 2021

[†] US Dollar variance due to a timing difference in payment

During the year under review the Company was less acquisitive, nonetheless the Directors have continued to have a high and sustained workload and, in particular, have been heavily involved in discussions with the Investment Adviser (regarding the amendment to the Investment Advisory Agreement) and with the Company's professional advisers (in light of changes in the current macro-economic environment). However, mindful of the Board's decision not to issue further shares for cash consideration until after the publication of the Company's net asset value as at 31 March 2022, we concluded that the level of fees for Directors' should currently remain unchanged in the year under review.

The Company's investment proposition of acquiring, integrating and overseeing the active management of a diverse portfolio of song copyrights necessarily requires a more operational mandate of its Board than typical investment trusts. Albeit that all Directors are non-executive, distinguishing responsibilities of our Board include oversight and consideration of:

- the status of both contractual and registration rights that require resolving as part of each acquisition;
- the Investment Adviser's function in the tracking and collection of royalty and licence obligations from a complex supply chain of global revenue sources;
- the disclosure and measurement of performance relative to the Investment Adviser's initial business case for each acquisition (by income type, catalogue and at a portfolio level);
- the business case for value enhancement from internalising certain functions (such as copyright administration via HSG)
- ensuring that assets are securely under the Company's custody within reasonable timeframes post-acquisition; and
- an efficient capitalisation and credit strategy for the Company to enhance and safeguard returns on investment for Shareholders.
- The remuneration of employees in the Company's subsidiary, HSG, which undertakes administration and Song Management activities in the United States, is delegated to the Investment Adviser under the terms of the Investment Advisory Agreement.

The schedule of the Directors' attendance in the year under review evidences the breadth and depth of investment, strategy and other project work they have supported or led during the year. In addition to the formally convened meetings during the year, the Directors have had regular contact and meetings with the Investment Adviser and other service providers as the Directors are closely involved in planning work to evolve the Company's capital structure to scale its asset base and improve Shareholder returns.

Remuneration Policy

The Company's remuneration policy, as published on the Company's website (alongside the terms of reference for the Remuneration Committee), has been the subject of shareholder consultation and will be submitted to the forthcoming Annual General Meeting for ratification by Ordinary Resolution. Shareholders will also be requested to approve an increase in the overall cap on Directors' remuneration from £500,000 to £550,000 to accommodate the possibility of appointing a further non-executive director in the event that a suitable candidate is identified which will also allow for flexibility and the capacity to overlap directors as part of a managed succession program.

2023 Objectives

It is our intention to continue to oversee the remuneration arrangements in a manner which is aligned with the delivery of key operational goals and continued positive strategic outcome for our Shareholders and stakeholders.

Our proposed activities for the year ahead are:

- review the Terms of Reference of the Committee to ensure they reflect best practice under the Code;
- undertake a triennial, independent review of Director remuneration levels for the financial year ending 31 March 2023;
- engage with Shareholders on any future review of the remuneration policy.

On behalf of the Remuneration Committee,

Simon Holden

Chair of the Remuneration Committee

13 July 2022