




Technology empowered
Performance focused


Man Group is a technology empowered active investment management firm focused on performance and client solutions. We offer clients a diverse range of strategies across investment approaches, styles and asset classes. These are centrally supported by a common infrastructure, which works seamlessly across the whole Group.

 **PG06** Q&A with Luke Ellis and Mark Jones



 **PG08** read our business model and how we add value.



 **PG18** read about our values and how they underpin our business.



Strategic report

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Highlights 2016

- Funds under management (FUM) up 3% to \$80.9 billion driven by positive investment movement and net inflows, partially offset by negative FX and other movements
- Positive investment performance increased FUM by \$3.2 billion: good absolute and relative performance for Numeric and GLG's long only strategies, partially offset by negative performance for AHL's quant alternative strategies
- Net inflows of \$1.9 billion
- Statutory loss before tax of \$(272) million driven by non-cash impairment of GLG and FRM goodwill and intangibles
- Adjusted profit before tax of \$205 million
- Regulatory capital surplus of \$392 million as at 31 December 2016
- Recommended dividend equal to adjusted management fee earnings for the year of 9.0 cents per share, in line with our policy, with a recommended final dividend of 4.5 cents per share. Payable at a rate of 3.62 pence per share, with total dividend up 3% in Sterling

FUNDS UNDER MANAGEMENT (FUM)

\$80.9BN

Up 3% from \$78.7bn at 31 December 2015.

SALES

\$21.7BN

Compared to \$22.9bn in 2015.

NET INFLOWS

\$1.9BN

Up sixfold from \$0.3bn in 2015.

REVENUE

\$831M

Gross revenue comprised \$750m of management fees and \$81m of performance fees. Gross revenue was \$1,135m in 2015.

ADJUSTED PROFIT BEFORE TAX

\$205M

Comprises adjusted net management fee income of \$178m and net performance fee income of \$27m. Adjusted profit before tax for 2015 was \$400m. Refer to Note 2 for a full reconciliation between the statutory loss and adjusted profit for the year.

STATUTORY LOSS BEFORE TAX

\$(272)M

Reflects impairment of GLG and FRM goodwill and intangibles of \$379m. A full reconciliation between the statutory loss and adjusted profit for the year is provided in Note 2 of the financial statements. Statutory profit before tax for 2015 was \$184m.

ADJUSTED MANAGEMENT FEE EARNINGS PER SHARE

9.0¢

Down 12% from 10.2 cents for the year ended 31 December 2015, primarily due to lower management fee revenue from guaranteed products and GLG. Refer to Note 9 of the financial statements for a full reconciliation between statutory loss per share and adjusted earnings per share.

ADJUSTED DILUTED EARNINGS PER SHARE

10.4¢

Down 51% from 21.1 cents for the year ended 31 December 2015, primarily due to lower performance fee profits. See Note 9 of the financial statements.

STATUTORY LOSS PER SHARE

(15.8)¢

A reconciliation between statutory and adjusted diluted earnings per share is provided in Note 2 of the financial statements. The statutory earnings per share for the year ended 31 December 2015 was 10.0 cents.

RECOMMENDED FULL YEAR DIVIDEND PER SHARE

7.05 PENCE

Recommended dividend for the year up 3% in Sterling. Recommended final dividend payable at a rate of 3.62 pence per share.

Alternative performance measures

We assess the performance of the Group using a variety of alternative performance measures, which are explained on page 142.

Overview

Man Group's investment management engines, Man AHL, Man FRM, Man GLG and Man Numeric, have combined funds under management of \$80.9 billion, across a range of strategies and styles. Man Global Private Markets was launched in 2017.



[More on page 19](#)

Man AHL (AHL) is a diversified quantitative investment manager and is a pioneer in the application of systematic trading. AHL applies innovative quantitative methods to locate potential opportunities in more than 600 markets worldwide.

AHL has investment professionals based in London, Oxford and Hong Kong who manage assets for institutional and private clients globally across a range of momentum and non-momentum strategies.

FUM US\$

\$18.3BN

as at 31 December 2016



[More on page 24](#)

Man FRM (FRM) is an open architecture, full service hedge fund platform. FRM offers commingled fund of hedge funds, customised and advisory solutions and outsourced research and consulting, all of which can be enhanced by FRM's managed account platform.

FRM's research and investment staff are based in London, Tokyo, Guernsey and Pfäffikon, and service FRM's predominantly institutional client base.

\$12.8BN

as at 31 December 2016



[More on pages 20–23](#)

Man GLG (GLG) is a discretionary fund manager, active across alternative and long only strategies. GLG fosters leading investment talent within a collaborative environment.

The majority of GLG's investment professionals are based in London, but it also has investment teams in New York, Hong Kong and Pfäffikon. GLG has a range of institutional and private clients globally.

\$26.7BN

as at 31 December 2016



[More on pages 27–29](#)

Man Numeric (Numeric) is a Boston based, quantitative equity manager invested across almost every equity market in the world. Numeric employs disciplined, systematic investment processes that are underpinned by a robust fundamental approach.

Numeric's investment professionals manage assets for institutional clients globally, including corporate and public pension plans, foundations, endowments and sovereign wealth funds.

\$23.1BN

as at 31 December 2016



[More on page 11](#)

Man Global Private Markets (Man GPM) was launched in 2017, alongside the Aalto acquisition, expanding the firm's expertise into less liquid asset classes. Aalto was founded in 2010. Private market strategies are run in long duration funds and separate accounts which can provide a differentiated return profile for our clients.

Aalto, which was acquired in January 2017, forms the real assets business of Man GPM, with teams in London, Charlotte and Pfäffikon. It has an established track record across its differentiated product range and serves a client base of predominately large institutional investors.

Chairman's statement



Overview of the year

2016 has been a challenging year. Historic and unexpected political events were coupled with volatile and unpredictable market reactions. The market environment was not positive for a number of our funds but we performed creditably against benchmarks and peers in many areas.

Britain's decision to leave the EU in June came as a surprise to many and will inevitably create a period of uncertainty and transition. We will continue to monitor events carefully but currently feel we are well positioned to deal with potential changes. Many of our funds are already based outside the UK for distribution across Europe under current legislation. We will seek clarity for our EU nationals working in the UK, although we note the positive views from government regarding continued residence and the recognition of the needs of our industry and the UK economy to attract and retain highly skilled staff from around the world. Against these challenges, there is some benefit in the weakness of the Pound as much of our cost base is sterling denominated and our UK shareholders can benefit from our US Dollar based dividend.

Despite this backdrop, funds under management grew, with net inflows of \$1.9 billion for the year. The difficult market environment had an impact on the Group's profitability, with adjusted management fee profit before tax of \$178 million for the year compared to \$194 million in 2015. Performance fees, which are volatile, fell. Our review of the goodwill balances in GLG and FRM led to a non-cash write down resulting in a statutory loss before tax of \$272 million for the year.

Board changes

In May, after almost nine years as Chairman, Jon Aisbitt retired from the Board. On behalf of the Board, I would like to thank Jon for his leadership and the significant contribution he made to the firm. I wish him the very best for the future.

In May, we also had a change to the Group's Remuneration Committee, with Richard Berliand appointed as Chairman. Since his appointment, Richard has consulted with most of our

major shareholders to understand their views regarding remuneration, and has made a number of changes. A programme of shareholder engagement is ongoing ahead of our formal review of the overall Remuneration policy during 2017. Richard will also be taking over from Phillip Colebatch as our Senior Independent Director following this year's AGM. I should like to thank Phillip, who will remain on the Board, for his service in this role.

In July, Manny Roman made the decision to step down from the Board and his role as CEO for the Group to take up the opportunity to become CEO of PIMCO in the US. Manny changed Man for the better, managing through a period of substantial rebuilding for the Group. I was delighted to be able to appoint Luke Ellis, previously President of the Group, as CEO. Luke brings a wealth of knowledge and experience to the role and he has quickly settled into his new responsibilities. I am very much looking forward to working with him and our other executive directors: Mark Jones, our new CFO, and Jonathan Sorrell, our previous CFO who became President, in charge of Sales and Marketing, FRM and Man Global Private Markets.

In February 2017, I was delighted to announce the appointment of Dame Kate Barker as a non-executive director. Kate will be a valuable adviser and contributor to the business and I very much look forward to welcoming her to the Board in April 2017.

Remuneration

Executive remuneration is an increasingly controversial area. At Man, we strive to attract and retain people who create value for our clients and shareholders alike whilst being acutely aware that this is a highly paid industry and there is wider societal concern over pay. We have responded to shareholder concerns by being more transparent in linking directors' short-term bonuses to quantitative results and reducing the shareholder approved maximum long-term bonus potential. We will continue to work with shareholders and others to find the right balance, particularly as perceived best practice evolves. This area is explained fully in the Directors' Remuneration Report.

Growth

Organic growth remains a key focus of the Board. The Board spent time during the year looking at research within AHL to develop new products, the growth of GLG's long only business, the development of innovative solutions within FRM and new product opportunities at Numeric.

Potential acquisitions were also a key focus, with time spent evaluating a number of different opportunities, and ultimately reviewing and approving the acquisition of Aalto and the launch of Man Global Private Markets. We have a strong track record of successfully integrating acquired businesses and plan to do the same for Aalto. In structuring the acquisition, we endeavoured to align the interests of Aalto management with those of our shareholders, with the majority of the consideration payable in future periods based on the performance of the business over time.

Return of capital

In October, we announced the return of \$100 million to shareholders through a share buyback programme. At 31 December 2016, around \$35 million worth of shares had been repurchased, and the remainder will be purchased over the coming months. In line with our dividend policy, the Board has announced a recommended final dividend of 4.5 cents per share, subject to approval by shareholders at the 2017 AGM.

Community

We believe that Man's long-term future is helped by our contribution to the communities in which it operates. The Man Charitable Trust continued its involvement with charities that focus on raising the levels of literacy and numeracy in areas of social deprivation to help give more people a chance to achieve their potential. Our supported local community charities also benefited from the time of Man employees through our volunteering programme, which included transforming outdoor spaces and packaging food at local foodbanks.

People

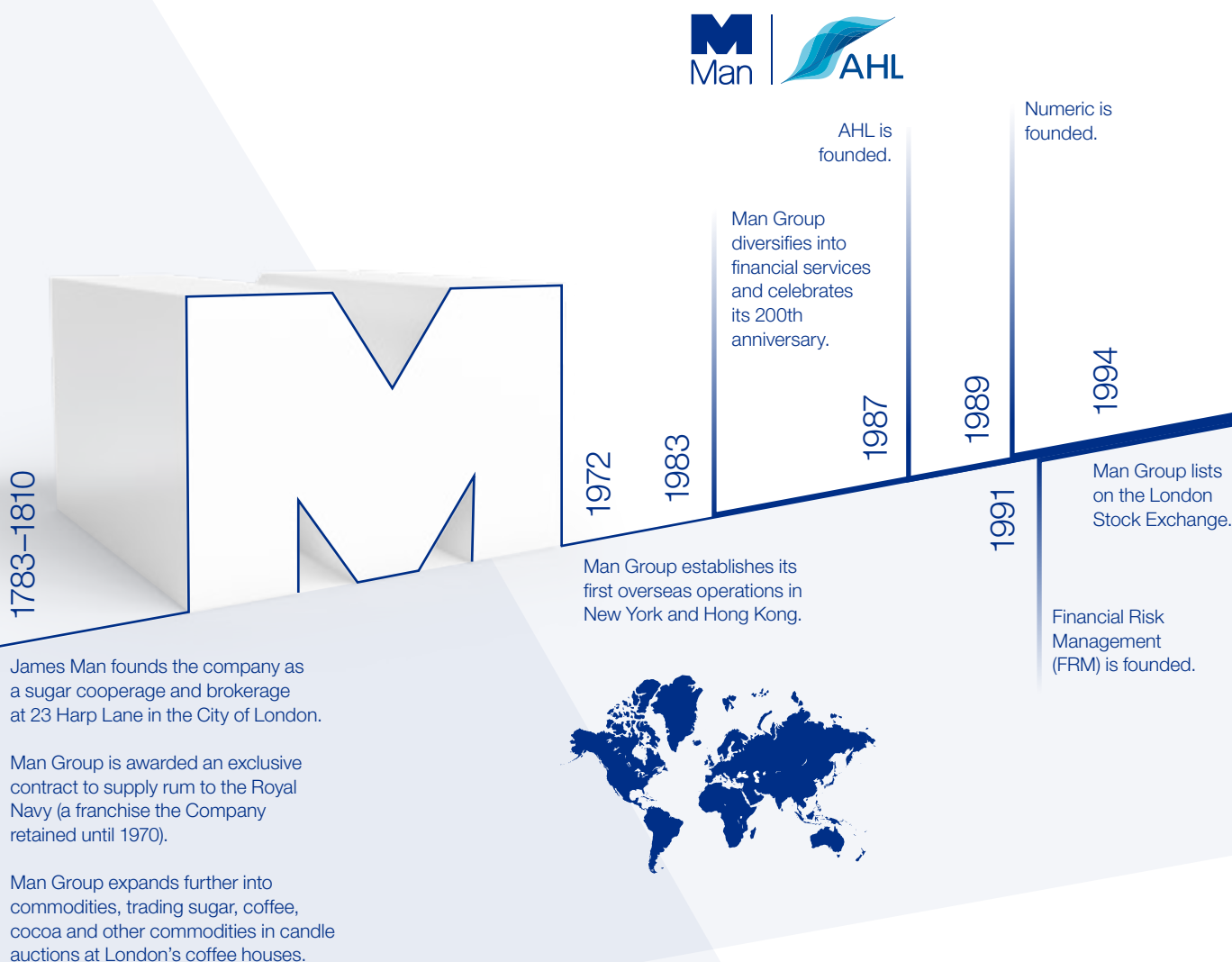
Since becoming Chairman in May, I have been impressed by the experience and talent of the people at Man and their enthusiasm, teamwork and dedication to meet clients' needs. This has been especially evident in 2016 during such a volatile period and I wanted to thank our employees for their hard work during the year.

Delivering superior risk adjusted investment performance to our clients and the millions of pensioners and investors they represent is at the heart of all we do. If we serve them well and run the business efficiently, we can provide good long-term returns for our shareholders. Whether you are a shareholder, client or employee of Man Group, I will seek to serve you as Chairman in the best way I can. Thank you for the opportunity to do so.

Lord Livingston of Parkhead
Chairman

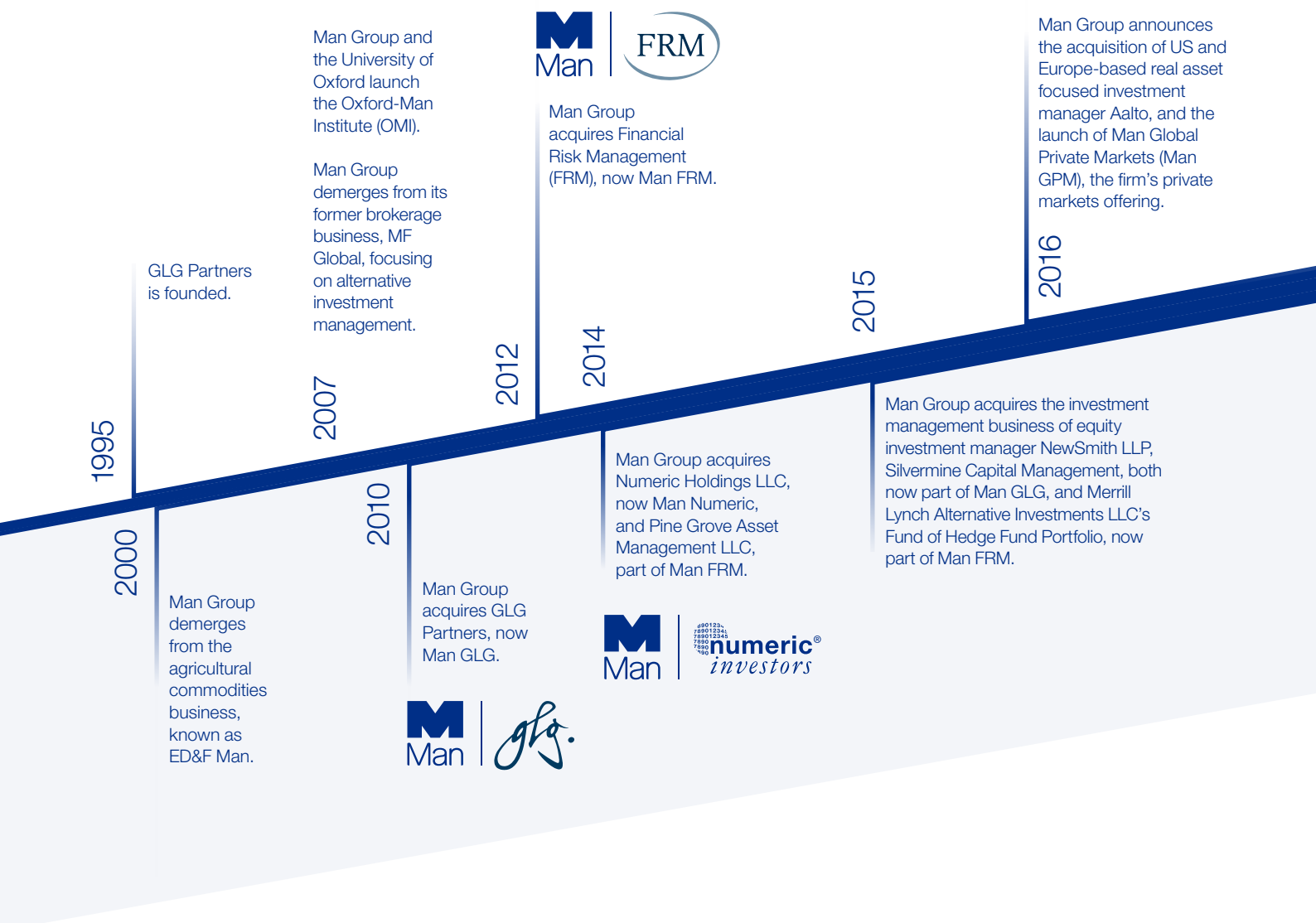
Our journey

With a trading history spanning more than 230 years and 30 years of experience in global investment management, we offer longevity and durability in a rapidly changing financial world. Man AHL, Man GLG, Man FRM and Man Numeric have more than 20 years of investing experience and track record.



Diversification

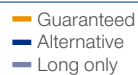
Over the last five years, Man has become a larger, more diversified provider of active investment strategies, with a greater focus on research, innovation and technology to serve clients. Recently, we have added private market strategies to better serve our clients. We have reduced our cost base to a level which reflects the economics of our business.



by manager



by product



by client type



by client domicile



Q&A with Luke Ellis and Mark Jones

Luke Ellis and Mark Jones discuss fund performance in 2016, the impairment of GLG and FRM goodwill, the launch of Man Global Private Markets, the key challenges facing Man today, the senior management changes across the firm, and how they think about future capital return.



Mark Jones (left)
Chief Financial Officer

Luke Ellis (right)
Chief Executive Officer

Q How did Man's range of strategies perform in 2016?

A Luke: 2016 was a difficult year in general for the active investment management industry. There were a number of market events which created uncertainty and volatility, including volatile oil prices and Chinese growth concerns putting significant pressure on global equities in February, the Brexit vote in June, the potential reduction of monetary stimulus from the European Central Bank in September, and the US elections in November.

The performance of our range of strategies in 2016 was reasonable given the market environment. AHL Evolution had another strong year, both on an absolute and relative basis, returning 6.2% for the year. AHL Dimension, AHL's multi-strategy and largest programme with over \$5 billion of assets, returned -1.5%, while AHL's traditional trend following strategies, AHL Alpha and AHL Diversified, returned -3.0% and -7.6% respectively. Numeric had another strong year, particularly in the final quarter, outperforming its benchmarks by around 1.4%¹ (net of fees) on an asset weighted basis.

GLG's alternative strategies had a challenging first half, particularly in the days post the Brexit vote in June, and ended the year slightly up overall on an absolute basis, underperforming the HFRX. GLG's credit strategies performed particularly well, with Market Neutral returning 14.2% and the US Distressed Strategy

returning 11.9%. GLG's long only strategies outperformed relative indices on an asset weighted basis overall, despite a weak first half. Japan CoreAlpha, GLG's largest long only strategy with \$7 billion of assets, exceeded its benchmark by 5.4% for the year, but did experience net outflows of \$1.6 billion as a result of weak performance in the first half.

FRM's performance was weak with FRM Diversified II down -3.8%, underperforming the HFRI Fund of Funds Conservative Index by 5.7%.

Q The Group's performance fee profits are significantly lower this year compared to 2015. Do you expect this to continue?

A Mark: As Luke explained, 2016 has been a difficult year for the active management industry and the level of performance fees in 2016 reflects this. However, despite the market events during the year, we were able to earn \$81 million of performance fee revenue across our different investment engines. Performance fee revenue does vary year on year depending on the market environment, with high years such as 2014 where we had \$340 million of performance fee revenue, compared to lower years such as 2016. Over the past five years, the average performance fee revenue has been around \$200 million per year. The Group has the capacity to earn significant performance fees over time, with around 45% of the Group's FUM eligible for performance fees.

Q You impaired the GLG and FRM goodwill and intangibles by \$379 million in 2016. What led to these write downs?

A Mark: GLG had difficult absolute performance during the year, with lower FUM, management fees and performance fees. While these trends are partially mitigated by lower future costs, as we have taken action, there was still a material reduction in the carrying value of the business. The 2016 performance and a weakening of industry growth forecasts during the year led to the impairment of GLG's goodwill and intangibles of \$281 million.

For FRM, the impairment of \$98 million reflects reduced prospects for the traditional fund of fund business in light of 2016 performance rather than declines experienced in the year. In particular we expect continued margin declines as the business mix moves towards investment solutions. It is worth noting that while we refer to our fund of fund business as FRM today, most of the goodwill related to Man's historical acquisition of Glenwood in 2000.

Q You announced in October 2016 that you were acquiring Aalto and launching a new business line, Man Global Private Markets (Man GPM). What is Man GPM and what is the rationale for this and acquiring Aalto?

A Luke: We believe our institutional clients have a material need for strategies that deliver solid, long-term returns, with better yield and equivalent risk profiles to traditional fixed income investments, particularly in the current low interest rate environment. Ultimately, that is why we believe launching Man GPM is an important development for the firm.

Man GPM will specialise in private market asset classes such as real estate, private credit, and infrastructure, and will allow us to offer a broader range of investment strategies to our clients. Aalto will form a central part of Man GPM, providing a core platform upon which to develop this new business line. Aalto's founders, Mikko Syrjänen and Petteri Barman, will be the Co-Heads of Real Assets within Man GPM, taking a broader strategic role to develop and grow our real assets offering.

¹ Numeric's net asset weighted alpha for the periods stated is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest rate of management fees charged and, as applicable, performance fees that can be charged.

Q What are the key challenges facing Man today?

A Luke: The commentary on the asset management industry currently focuses on two issues. Firstly, the increase in market share being taken by passive funds, and secondly, fee pressure.

The growth in passive investment styles has not had a significant impact on our business. Investors generally want one of two things; cheap beta, or real alpha. The growth of passives is driven by investors who want beta at low cost, whereas actively managed alternative assets are also growing with investors after real alpha, which is part of the same trend. This creates a real opportunity for Man as an active manager, as we have always focused on truly active, high alpha strategies.

Mark: There has been an increased focus on fees from clients, partially driven by the low interest rate environment. That has had an impact on our business in particular areas where price competition is more intense, typically around more commoditised strategies. However, for Man the change in our net management fee margin over recent years has mainly been the result of our business shifting from retail focused guaranteed products, a major component of Man's old business model, to the diversified alternative and long only strategies that we offer today. Fee pressure is not uniform; clients continue to pay full fees for innovative products with good performance and we continue to focus on developing these investment strategies. We also believe there are a number of opportunities to work profitably for our clients on larger scale business, at a lower basis point fee, which is still attractive for shareholders, whether that be the infrastructure mandates within FRM, Collateralised Loan Obligations (CLOs) within GLG, or the real assets strategies which Aalto manages.

Q Luke, you made some changes to the senior management team after you became CEO. What changes did you make?

A Luke: After my appointment as CEO in September, it made sense to look at the way we were organised and where different responsibilities should lie to ensure we have the optimal structure in place to serve our clients, generate performance, and maintain tight control of our infrastructure. Jonathan Sorrell was made President in charge Sales and Marketing, Man GPM, and Man FRM, whilst remaining on the Board.

Mark Jones, former Co-CEO of Man GLG, was appointed as Chief Financial Officer from 1 January 2017 following a handover from Jonathan. Mark will be responsible for Finance, Investor Relations and Risk for the Group.

Sandy Rattray was appointed as Chief Investment Officer, assuming responsibility for Man AHL, Man Numeric, and Man GLG, where he will be able to leverage his deep expertise across the Group. These were previously part of my responsibilities as President. Sandy remains CEO of Man AHL.

Robyn Grew was appointed to the newly created position of Chief Administrative Officer. She has responsibility for the firm's infrastructure, operations, technology, compliance, legal, human resources and facilities functions, allowing the Group to focus further on ensuring it has best in class operational functions and a working environment that attracts and retains the best talent in the industry.

Q Will these be followed by any change in strategy or focus?

A Luke: Our priorities remain the same and we continue to focus on generating superior risk adjusted returns for our clients, and building long-term client relationships, while tightly managing our costs, running an efficient balance sheet, and continuing to add investment skills through training, hiring and acquiring.

Growing the business remains a key focus, with organic growth a priority. We also continue to consider potential acquisition opportunities as we have done previously.

Q The Group has around \$325 million of surplus capital after the impact of the Aalto acquisition. What are your key considerations when thinking about capital and the amounts to return to shareholders?

A Mark: Capital management is an active process, something we think about regularly. Capital is shareholders money and we assess on an ongoing basis how best to utilise it to maximise value to shareholders whilst maintaining a prudent balance sheet, whether that be through acquisitions or returning it to shareholders.

Man's dividend policy is to pay at least 100% of adjusted management fee earnings per share each year as an ordinary dividend. We then expect to generate significant surplus capital over time from performance fee earnings, which we will utilise to create value for shareholders through acquisitions or return through dividends or share repurchases.

In 2016, we announced the acquisition of Aalto and the return of \$100 million of capital to shareholders through a share repurchase programme. We continue to consider potential acquisition opportunities, including in the private markets space to complement the acquisition of Aalto. Any additional capital return to shareholders will be continually assessed alongside any potential acquisition opportunities to ensure the best risk adjusted investment of capital.

Breadth of expertise



Jonathan Sorrell

Jonathan is President of Man Group, where he has responsibility for Sales, Man GPM and Man FRM, and remains on the Board. Jonathan was promoted to Co-President in mid-2016, then became President in September 2016, and stepped down from his role as CFO after four years at the end of 2016.



Robyn Grew

Robyn holds the newly created position of Chief Administrative Officer for Man Group. Robyn has responsibility for the firm's infrastructure, operations, technology, compliance, legal, human resources and facilities functions.



Sandy Rattray

Sandy is Man Group's Chief Investment Officer and CEO of Man AHL. In his expanded role, Sandy will be able to leverage his deep expertise across the Group's investment engines.

Business model

We are a technology empowered active investment management business, focused on delivering superior returns to our clients, delivering our diverse range of strategies to them through a single point of contact.

Inputs

Client relationships

Our clients have a single point of contact within our sales team, who understands them and their needs.

Technology

Investment in infrastructure and innovative solutions to deliver the best results for our clients.

Research and collaboration

Extensive investment in research and collaborations between teams across the business to develop innovative solutions for clients.

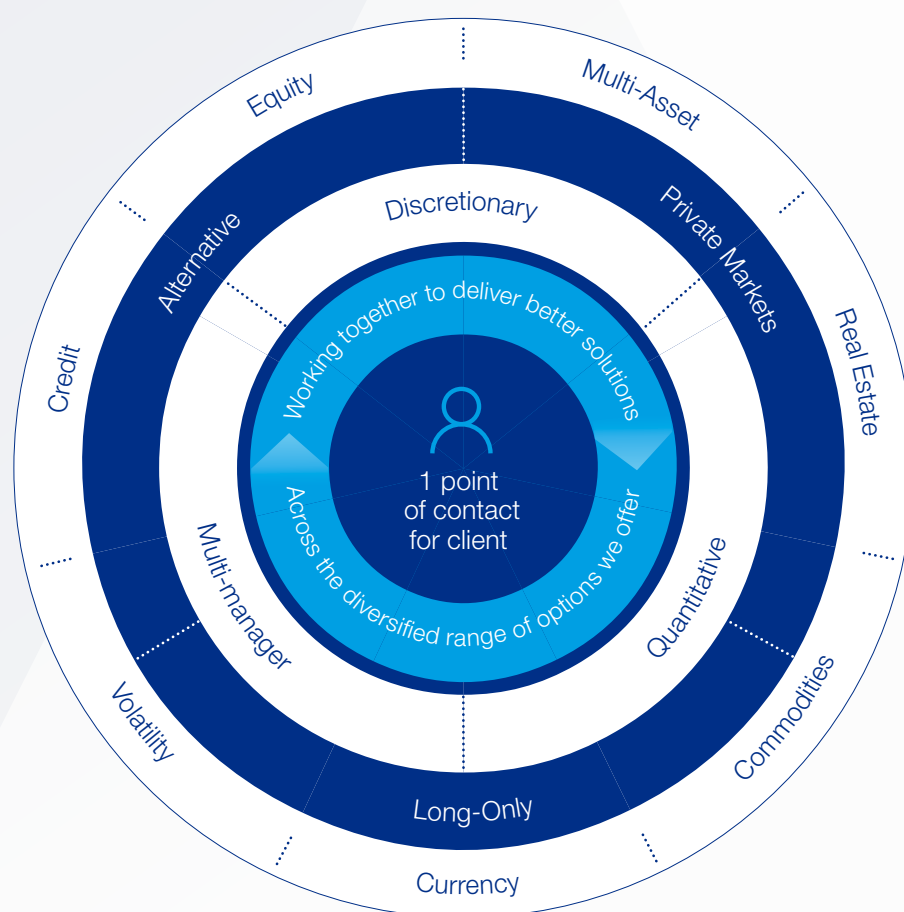
People and culture

Highly talented workforce, collaborating in teams in an entrepreneurial culture. Recruitment, training and engagement programmes. Competitive remuneration to ensure we attract, develop and retain the best individuals.

Financial

Our capital management policy and effective cost management enables us to maximise returns for shareholders.

What we do



Underpinned by our core values

[More on pages 18–28](#)



Performance

First, foremost and always, we focus on delivering superior risk adjusted performance.



Excellence

Good is not enough, we strive to be excellent in all we do.



Clients

Our clients are at the heart of everything we do.



Differentiation

We seek to be differentiated and original in our thinking.



Responsibility

We always do the right thing and conduct our business with the highest standards of integrity.



Meritocracy

We succeed through talent, commitment, diligence and teamwork.

Value created for stakeholders:

Clients

Our clients are at the heart of everything we do.

Superior, risk-adjusted returns

[More on pages 19–29](#)

Innovative products

15

new strategies launched

Servicing clients' needs

78%

of FUM relates to clients with 2 or more products

Broad range of products/strategies

5

[More on pages 19–29](#)

investment engines with diverse strategies

Employees

We operate a workplace that guarantees fairness and equal opportunities, while developing and retaining talent through continuing education and constructive feedback loops.

Career development

78

internal transfers

[More on page 43](#)

Competitive remuneration

[Refer to the Remuneration report on page 64](#)

Diversity

29%

[More on page 42](#)

female workforce

Shareholders

We aim to maximise shareholder returns by delivering superior, risk-adjusted returns to clients and by operating and allocating capital efficiently.

Surplus capital

\$392m

at 31 December 2016

[More on page 35](#)

Dividend

9.0c

2016 dividend

Discipline on fixed cost base

\$20m

of cost savings in 2017

[More on pages 30–35](#)

Community

We are conscious of the impact of our organisation on the broader community, and have taken steps to ensure we are contributing positively to those around us.

Volunteering opportunities

[More on page 44](#)

Charitable trust

\$592k

donated in 2016

Promoting literacy

2

major literary prizes supported

Chief Executive Officer's Review



The market environment was very unforgiving for the first three quarters and Man found it difficult to generate performance for clients and performance fees. This led to disappointing profits. But we are pleased to report a 3% increase in funds under management as we see continued confidence in our strategies, particularly our quant strategies, and I believe the actions we have taken during 2016 stand us in good stead for the year ahead.

Overview

Performance across our business lines was mixed, both on an absolute and relative basis¹. AHL's momentum strategies had a strong start to the year with the downturn in equity markets in February, but this was more than reversed in the second half of the year with the market turbulence across many asset classes. AHL's strategies rebounded in December, ending the year with good relative performance across the main programmes.

GLG's alternative and long only strategies had a difficult first half of the year, particularly in the days post the Brexit vote in late June, but performance improved in the second half of the year. Alternatives ended the year slightly up on an absolute basis, and GLG's credit strategies had strong performance but overall alternatives underperformed the HFRX. GLG's long only strategies outperformed their benchmarks on an asset weighted basis. Weak performance in the first half for both GLG's alternative and long only strategies led to net outflows of \$3.0 billion during the year.

Numeric ended the year with solid outperformance versus benchmark, with strong gains made in the second half of the year, particularly the fourth quarter, which was one of Numeric's strongest quarters on record. FRM's performance was weak on an absolute and relative basis.

Net inflows were \$1.9 billion in the year, and funds under management increased by 3% to

\$80.9 billion, with positive investment movement for the year broadly offset by negative FX and other movements. The Group had a statutory loss before tax of \$272 million, driven by the impairment of GLG and FRM's goodwill and intangibles of \$379 million. Adjusted management fee profit before tax was down 8% as a result of lower management fee revenue, particularly for GLG. Total adjusted profit before tax was lower compared to 2015, primarily as a result of lower performance fee revenue.

Quant

As AHL is a diversified platform, there were differing returns across its main programmes. AHL Evolution, AHL's trend following strategy in non-traditional markets, continued to perform strongly as one of the best performing large CTAs, ending the year +6.2%. AHL's multi-strategy programme, AHL Dimension, which accounted for 28% of AHL's assets at 31 December 2016, had reasonable performance on a relative basis, ending the year -1.5%. AHL's traditional trend following strategies, which account for around 40% of AHL's funds under management, had a good start to the year, particularly in the first quarter, but the gains were more than reversed in the second half with long fixed income positions causing the majority of the losses. AHL Diversified ended the year -7.6% and AHL Alpha -3.0%.

Numeric had a challenging first half of the year as a result of weaker alpha generation in US stocks, but performance significantly improved in the second half with overall net asset

weighted outperformance versus benchmark (net of fees) of 1.4%² for the year. Numeric's Emerging Markets strategies were the top outperformers, with strong outperformance of between 6.8% and 8.5%.

Discretionary

2016 was a challenging environment for discretionary investment management, and a difficult year for GLG. This is evident with the \$281 million impairment of GLG's goodwill and intangibles, which reflects the lower FUM and management and performance fee revenue. GLG's performance has been variable in recent years and this resulted in continued outflows during 2016, although these did moderate in the fourth quarter as performance improved.

GLG's alternative strategies ended the year slightly up overall, but underperformed the HFRX, with the credit strategies the strongest performers, with several double digit returns. GLG's flagship Equity Long Short strategy had a weak first half, but a better second half, ending the year at -1.4%. The weak performance in the first half led to net outflows for this strategy during the year.

GLG's long only strategies broadly outperformed relative indices with 2.1% of outperformance on an asset weighted basis. The Japan CoreAlpha strategy had a difficult first half, but performance came back strongly in the second half, ending the year up +5.7% and outperforming the TOPIX by 5.4%. The weak performance in the first half led to net outflows of \$1.6 billion during the year for this strategy.

¹ Performance figures shown net of representative management and performance fees. Past performance is not indicative of future performance.

² Numeric's net asset weighted alpha for the periods stated is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest rate of management fees charged and, as applicable, performance fees that can be charged.

We have already taken steps to improve the consistency of GLG's performance. We appointed Pierre-Henri Flamand as the GLG CIO in September and we restructured the risk team to bring best practices in risk management and technology to bear from across the Group. GLG has also been part of our cost restructuring effort, where we have closed a number of underperforming strategies to improve returns and reduce costs.

2016 was a disappointing year for GLG, and this is reflected in the impairment charge but the actions we have taken should lead to improvements in 2017.

Fund of funds

FRM products had weak performance for the year, with FRM Diversified II down -3.8%, underperforming the HFRI Fund of Funds Conservative Index by 5.7%. Weak performance led to net outflows across the range of traditional fund of fund strategies. Man's alternative beta offering, a multi-strategy portfolio that leverages the combined expertise of FRM, AHL and Numeric, had strong performance, returning 6.8% in 2016. The impairment of FRM's goodwill and intangibles reflects reduced prospects for revenues from the traditional fund of fund business.

Progress against strategic priorities Research and innovation

Research and innovation are a priority across all of our investment engines as we seek to generate superior risk adjusted returns for our clients and develop innovative new strategies over time.

In 2016, AHL continued to diversify its offering, with net inflows of \$3.7 billion across its range of strategies. AHL's traditional momentum strategies, Diversified and Alpha, now only account for 41% of AHL's FUM, compared to 66% three years ago. AHL launched its new Short Term Trading programme, which whilst it was capacity limited at \$200 million, and only offered to a handful of potential clients, it reached capacity within a week, all at full fees. AHL also launched its Institutional Solutions offering, which provides bespoke portfolios for institutional clients with flexible combinations of AHL's different strategies, with \$1 billion of assets at the end of the year. AHL continued to focus on research through the Oxford-Man Institute, which expanded its focus on machine and deep learning during the year. This will support the ongoing evolution of quantitative strategies and the value we deliver to clients.

Numeric continued to leverage Man's resources and expertise, and launched a new Emerging Markets Core strategy, which raised \$300 million during the year. Numeric also has a number of innovative strategies in development and incubation.

At GLG we believe we have a sustainable advantage in identifying teams and commercialising new strategies but we need to improve the consistency of GLG's performance. In 2015, we announced the launch of our Emerging Markets Debt strategy. We built out

the team during the first half of 2016 and launched three new strategies during the second quarter of the year. Since launch, the strategies have performed well, despite the post Trump EM market sell-off, and have generated inflows of more than \$1 billion, and we are seeing ongoing interest from clients.

Strong client relationships

We have made good progress in developing options for growth, both organically and by acquisition, across our different investment engines during the year, to ensure that we maximise and strengthen our client relationships and meet client needs. Gross sales were \$21.7 billion during the year, with strong AHL, FRM and Numeric sales being partially offset by lower sales for GLG. Our flows continue to be uneven in nature as our business becomes increasingly institutional, with institutional sales in the year constituting 72% of total sales, and the top ten single inflows accounting for 22% of total sales. Redemptions during the year were \$19.8 billion, a 12% reduction compared to 2015.

We had strong net inflows of \$4.3 billion for our quant alternative and long only strategies during the year, with quant FUM increasing by 17%. Since becoming part of Man in 2014, Numeric has continued to grow its assets, with over 50% of the total inflows since the acquisition coming from Man client relationships rather than pre-existing Numeric relationships, which is a testament to the quality of the relationships we've built with clients.

At FRM, we continued to see strong client interest in our managed accounts offering and were awarded three additional mandates during the year of \$1.5 billion, \$700 million, and \$300 million respectively. These mandates accompany the \$2.7 billion mandate from a large US-based State Pension Plan awarded in 2015 and the \$1 billion mandate awarded in 2014. Across these mandates, \$2.0 billion funded in 2015, \$2.3 billion funded in 2016 and \$1.9 billion is expected to fund from 2017 onwards. The growth of FRM's managed accounts offering more than offset the decline in FRM's traditional fund of fund assets, which had net outflows of \$1.0 billion during the year.

We also continued to see the trend of clients investing into products across our different investment engines, with 64% of FUM at 31 December 2016 relating to clients invested into products across more than one of our investment engines.

In October, we announced the launch of Man Global Private Markets (Man GPM) with the acquisition of Aalto, a real asset focused investment manager, with around \$1.7 billion of funds under management. The acquisition of Aalto, and the launch of Man GPM, create an exciting opportunity for the Group as we believe there is strong client demand for strategies that deliver solid, long-term returns.

In line with our overall strategy, we continue to look at other possible acquisitions, including in the private markets space to complement Aalto,

continuing to ensure we remain disciplined on price, structure and cultural fit.

We continue to focus on growing our business and expanding our client relationships in the US, which was a strong area of growth during the year. In 2016, 29% of gross sales came from the Americas, up from 22% in 2015.

Efficient and effective operations

We remain focused on operating our business as efficiently as possible, particularly in times when the market environment is challenging. We continually assess the level of our cost base across the firm in comparison to our revenue earning capabilities and our options for growth, to ensure management fee profits remain as stable as possible. During 2016, we began to implement a Board approved restructuring plan to make some significant changes to the structure of the business. We have altered our senior management structure, shut down underperforming strategies in our investment management business, and changed the structure of our sales function and the extent of our regional footprint. These restructuring initiatives will cost approximately \$21 million of which \$17 million was recognised in 2016 as a compensation related restructuring charge. The total fixed cost savings are expected to be around \$20 million per year, which will be realised in 2017.

Capital management

Our balance sheet remains strong and liquid, and our surplus capital stands at around \$325 million after the impact of the Aalto acquisition, which completed in January 2017.

People

I would like to thank my senior management team and everyone at Man for their diligence and teamwork in what has been a difficult year for the firm. Your commitment means we are now well positioned to grow the business as we work together to deliver better solutions for our clients.

Outlook

We continue to operate in an unpredictable market environment, which remains challenging and uncertain. However, if we see an environment of lower market correlation and high stock dispersion, back to historical normalised levels, these should be favourable conditions for a number of our strategies.

We came into 2017 with a good pipeline of interest from clients, but the timing of this remains uncertain.

Our focus for 2017 will be on the long-term drivers of success: superior risk adjusted performance, long-term client relationships, investing in talent, technology and research, and remaining disciplined on costs. Although 2016 was a difficult year, I believe the actions we've taken stand us in good stead for the year ahead.

Luke Ellis

Chief Executive Officer

Strategic framework

We aim to generate superior risk adjusted returns for our clients, and grow our business, through the quality of our research and innovation, understanding and meeting client needs, and operating the business efficiently to generate long term value for our shareholders.

Strategic priorities

1. Research and innovation

Generating superior risk adjusted returns for clients through high quality research, developing our people, and the strength of our technology.

2. Strong client relationships

Building long-term partnerships with clients, through a single point of contact, to understand their needs and offer solutions across our range of strategies.

3. Efficient and effective operations

Building institutional quality technology and infrastructure, providing scalable options for growth, whilst operating the business efficiently.

4. Capital management

Generate excess capital to either return or re-invest to maximise long term value for shareholders.

See pages 14–15 for progress against our strategy

Key performance indicators (KPIs)

Investment performance of key funds against relevant benchmarks and reference indices

- ✓ AHL – met
- ✗ FRM – not met
- ✗ GLG – not met
- ✓ Numeric – met

Related strategic priority 1

Net FUM flows for the period as a percentage of opening FUM

Related strategic priority 1
2

2.4%

TARGET
✓ 0%–10%

Adjusted management fee EBITDA margin (more on EBITDA on page 34)

Related strategic priority 1
2
3
4

26.1%

TARGET
✓ 25%–40%

Adjusted management fee EPS growth (see Note 9 of the financial statements)

Related strategic priority 1
2
3
4

(11.8)%

TARGET
✗ 0%–20% plus RPI

See pages 16 and 17 for full key performance indicators
See pages 66 and 67 for remuneration at a glance

Risks

Man Group identifies its principal risks across the firm and assesses their likely impact. We measure and monitor the size of our risks, and implement controls and transactions to reduce and hedge exposures in order to ensure that they stay within our risk appetite framework.

	Related strategic priority
Investment underperformance risk This is the key risk Man Group has to accept if it is to undertake its business.	1
Regulatory risk Man Group is licensed in multiple jurisdictions, which results in it being subject to a matrix of regulations.	1 2 3 4
Balance sheet market risk The risk of Man Group losing capital due to a decline in the value of the seeding book and/or the Group having insufficient liquidity resources to meet its obligations in volatile market conditions.	1 3 4
Operational risk Resulting from human error, inadequate or failed internal processes and systems or from external events.	1 2 3 4
Information security risk The risk of loss resulting from cyber-crime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.	1 2 3 4
Discretionary trading risk The risk that investment managers either intentionally or unintentionally fail to execute and/or book trades correctly, or fail to adhere to investment mandates or regulatory rules.	1 2
Credit/counterparty risk A counterparty with which the funds or Man Group have financial transactions fails to deliver back investor or shareholder assets.	1 2 3 4
Legal risk The global nature of Man Group's business, with corporate and fund entities located in multiple jurisdictions and a diverse investor base make it subject to a wide range of laws and regulations.	1 2 3 4
Reputational risk The risk that an incident or negative publicity undermines our reputation as a leading alternative investment manager.	1 2 3 4
Key staff retention risk The risk that a key person to the business leaves or is unable to perform their role.	1 2 3 4

Remuneration

Executive director remuneration is directly linked to strategy and performance, with particular emphasis on matching rewards to results over the long term.

Linked to strategy

A substantial portion of executive director remuneration is linked to success in implementing the Group's strategy.

See pages 72 to 75 of the Directors' Remuneration report for more information

Progress against the Group's strategic priorities and Group key performance indicators (KPIs) provide key metrics for determining the short term annual cash bonus and the long term deferred bonus.

Performance related

The variable components of total remuneration are linked to performance, and the long term deferred bonus is awarded in shares further aligning interests with shareholders.

See pages 74 to 75 of the Directors' Remuneration report for more information

High pay requires high performance. Achieving the maximum pay requires sustained high performance across all businesses over several years.

Long term shareholder alignment

The structure of pay is designed to reflect the long term nature of the Group's business. The long term deferred bonus is awarded in shares with the vesting period set at three to five years after each three-year performance period, creating a six to eight-year period in total during which executive reward is fully aligned with shareholder interests.

See pages 74 to 79 of the Directors' Remuneration report for more information

Shareholder engagement

The Remuneration Committee actively seeks to understand shareholder preferences and be transparent in explaining its policy and practice. During 2016, the Remuneration Committee Chairman met personally with a number of major shareholders and certain shareholder voting bodies to discuss the changes to the application of the Remuneration policy in response to previous feedback.

See pages 64 to 65 of the Directors' Remuneration report for more information

Progress against strategy

In 2016, we have made progress against our strategic priorities. We continue to invest in research and innovation to ensure we provide superior risk adjusted returns for clients, building on our new and existing client relationships, whilst running the business efficiently.

Research and innovation

How we performed

- 21 new models added to AHL's trading programmes and access to 115 new markets
- Launch of AHL's Short Term Trading programme, which raised \$200 million, and growth of Evolution Frontier, which raised \$300 million during the year
- Continued focus on research at AHL through the Oxford-Man Institute (OMI), which transitioned from a focus on general quantitative finance to a specific concentration on machine learning and deep learning
- FRM partnered with AHL and Numeric to develop the Man Alternative Beta platform

Objectives for 2017

- Leverage the Group's quantitative and technological capabilities to improve performance of GLG's strategies in 2017
- Continued focus on machine learning and deep learning at AHL through the OMI to develop new models and trade ideas
- Continue to develop new strategies at Numeric
- Further collaboration between FRM, AHL and Numeric to develop innovative alternative beta portfolios

AHL'S NEW MARKETS

115

new markets added to AHL's trading programmes in 2016

AHL'S NEW MODELS

21

new models added to AHL's trading programmes in 2016

Efficient and effective operations

How we performed

- Began to implement a Board approved restructuring plan, driving a \$20 million reduction in the fixed cost base in 2017. A compensation related restructuring charge of \$17 million was recognised in adjusting items in 2016
- Continued investment in the firm's back office infrastructure, which provides scalability to grow the business efficiently
- Reduction in the size of the Group's revolving credit facility from \$1,000 million to \$500 million, which will reduce net financing costs in 2017

Objectives for 2017

- Continued focus on our cost base to ensure we run the business efficiently whilst addressing all risks and opportunities
- Continued capital expenditure of \$40m to \$50m over the next two to three years to further enhance technology and infrastructure

FRONT TO BACK OFFICE

1:1

ratio of central function employees to investment and sales staff

COST SAVINGS

\$20m

reduction in fixed cost base in 2017

Strong client relationships

How we performed

- Continued growth in the US with 29% of sales from clients in the Americas in 2016, up from 22% in 2015
- Focus on asset retention as well as asset raising, with the redemption rate reducing to 25% from 29% in 2015
- Continued growth in clients investing across more than one of our investment engines, with 64% of FUM at 31 December 2016 relating to clients invested in more than one investment engine, up from 54% at 31 December 2015
- Continued growth in FRM's managed accounts offering, with \$2.3 billion of assets raised in 2016

Objectives for 2017

- Continued investment by clients into multiple products across our different investment engines, including Man Global Private Markets
- Continue to focus on the US as a region for growth both from a distribution and acquisition perspective
- Further develop relationships with institutional clients across the business

CLIENTS CROSS BUYING

64%

of FUM relates to clients investing with more than one investment engine

SALES

46%

of sales greater than \$100m in 2016

Capital management

How we performed

- Announcement of \$100 million share repurchase programme in October 2016 to return excess capital to shareholders
- Management of seeding programme within the set VaR limit of \$75 million
- Announcement of the Aalto acquisition, which utilises around \$70 million of surplus capital initially, and creates additional value for shareholders over time

Objectives for 2017

- Maintain focus on balance sheet efficiency and active management of capital
- Generate additional surplus capital through performance fee profits
- Continually assess capital return alongside any potential acquisition opportunities to ensure the best risk adjusted investment of capital

SHARE BUYBACK

\$100m

of capital to be returned

SURPLUS CAPITAL

\$392m

as at 31 December 2016

Key performance indicators

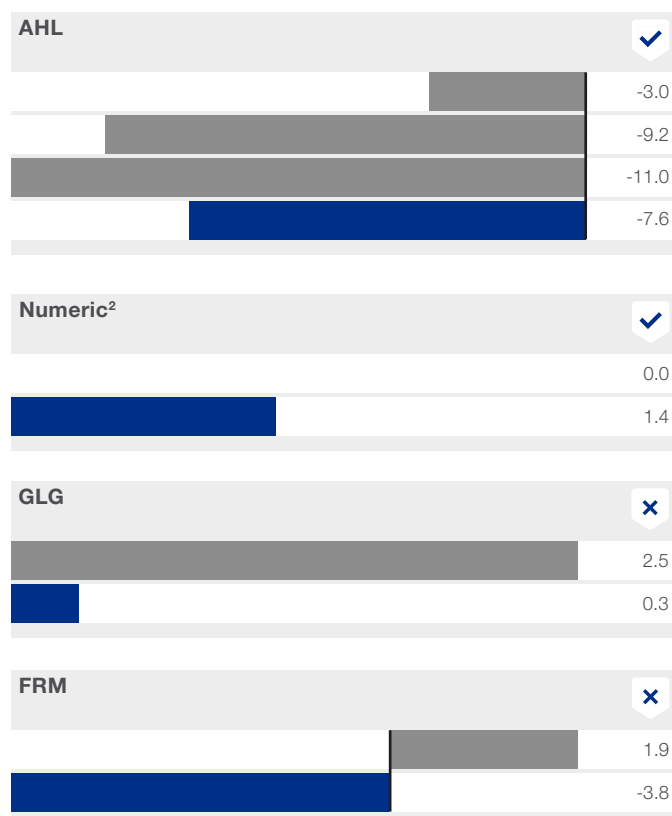
Our financial KPIs illustrate and measure the relationship between the investment experience of our clients, our financial performance and the creation of shareholder value over time. As indicated in the Directors' Remuneration policy on page 66 our KPIs determine the remuneration of the executive directors and are used to regularly evaluate progress against our four key priorities: research and innovation, strong client relationships, efficient and effective operations, and capital management. Our alternative performance measures are discussed on page 142.

The results of our KPIs this year reflect the difficult market environment, with strong outperformance for Numeric, good relative performance for AHL, but weaker relative performance for GLG alternatives and FRM. Net flows were positive for the year, with net inflows for quant alternative, fund of fund alternative and quant long only, partially offset by net outflows in discretionary alternative and long only strategies. Management fee revenue and profitability were down for the year as a result of lower FUM for GLG and the continued roll off of the guaranteed product FUM.

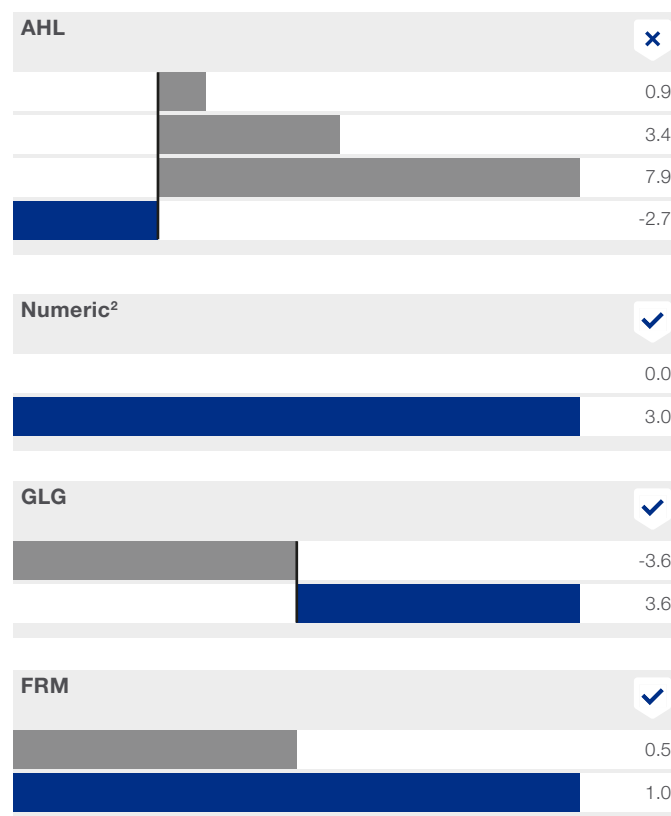
TARGET fund vs benchmark

INVESTMENT PERFORMANCE¹

2016



2015



¹ Where funds have a formal benchmark, performance is compared to this. Where no formal benchmark has been set, "benchmark" should be taken to refer to a relative index.

² Numeric's net asset weighted alpha for the periods stated is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest rate of management fees charged and, as applicable, performance fees that can be charged.

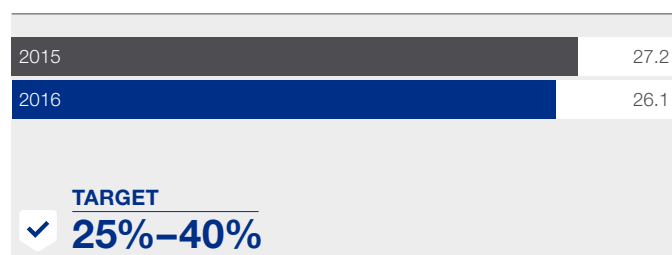
The investment performance KPI measures the net investment performance for our four managers (AHL, Numeric, GLG and FRM). For AHL, GLG and FRM, investment performance is represented by key strategies against relevant benchmarks/reference indices. For Numeric, investment performance is monitored by the net asset weighted outperformance or underperformance (alpha)¹ based on a predetermined benchmark by strategy. The target for the investment performance KPI is to exceed the relevant benchmarks.

The key strategies and the relevant benchmarks are AHL Diversified versus three key peer asset managers for AHL (the target being to beat two of the three peers), the GLG Alternative Strategies Dollar-Weighted Composite versus HFRX for GLG and FRM Diversified II versus HFRI Fund of Funds Conservative Index for FRM. For Numeric, net asset weighted outperformance is based on a benchmark against competitors by Numeric strategy.

The performance of the key strategies compared to the benchmarks gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers. This measures our ability to deliver long-term performance to investors.

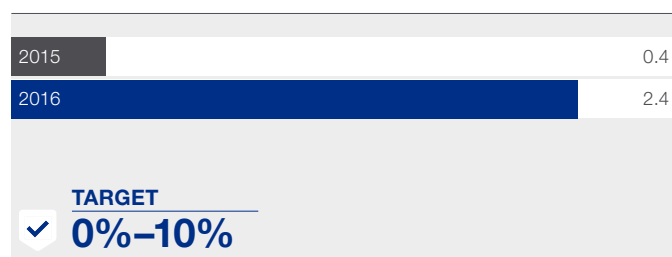
We achieved two out of the four performance targets with Numeric's positive net alpha in 2016, and the performance of AHL's key strategy exceeding two out of three of the relevant peer benchmarks. GLG and FRM did not meet their targets as their performance metrics were below their relevant benchmarks. Further investment performance information is provided on page 10.

ADJUSTED MANAGEMENT FEE EBITDA MARGIN %



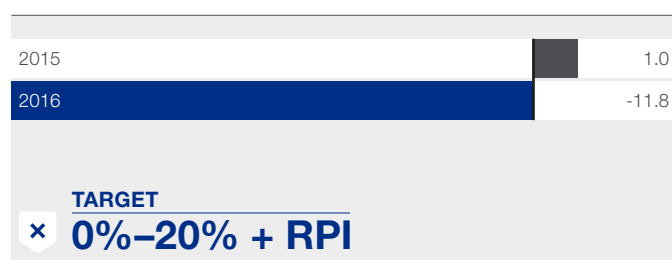
This KPI measures adjusted management fee EBITDA as a percentage of net revenues (gross management fee revenue and income from associates less cash distribution costs). Our adjusted management fee EBITDA margin is a measure of our underlying profitability. The adjusted management fee EBITDA margin of 26.1% was within the target range for the year ended 31 December 2016, compared to 27.2% for the year ended 31 December 2015. This margin declined in 2016 primarily as a result of the decline in management fee revenue, driven by the continued roll off of higher margin guaranteed product FUM, and lower management fee revenue for discretionary alternatives and long only strategies due to a decline in FUM during the year. For further information on EBITDA, see page 34.

NET FLOWS %



This KPI measures net FUM flows for the period as a percentage of opening FUM, with net flows defined as gross sales less gross redemptions. Net flows are the measure of our ability to attract and retain investor capital. FUM drives our financial performance in terms of our ability to earn management fees. Net flows were within the target range in 2016 with a net inflow of 2.4%, represented by net inflows into quant alternative, fund of fund alternative and quant long only strategies, partially offset by net outflows from discretionary alternative and long only strategies.

ADJUSTED MANAGEMENT FEE EPS GROWTH %



This KPI measures our adjusted management fee EPS growth, where adjusted management fee EPS is calculated using post-tax profits excluding net performance fees and adjusting items, divided by the weighted average diluted number of shares. Adjusted management fee EPS growth measures the overall effectiveness of our business model, and drives both our dividend policy and the value generated for shareholders. The adjusted management fee EPS growth of -11.8% was not within the target range for 2016 (target of 0%–20% plus RPI of 2.5%). The adjusted management fee EPS declined due to the impact of lower management fee revenues, as a result of lower revenue from discretionary alternative and long only strategies and the continued roll off of higher margin guaranteed products, partially offset by lower costs. For further information on EPS, see Note 9 to the financial statements.

Our values

Performance

First, foremost and always, we focus on delivering superior risk adjusted performance.

Man Group's investment managers have expertise in a diverse range of strategies, which offer investment returns matched to investor appetite for risk and reward. We aim to generate superior risk adjusted returns for our clients through the quality of our research, the talent of our investment managers, and the strength of our operations and risk infrastructures.

Man Group believes that technology will play a key role in the future of active management. Our commitment to research in this area can be seen in many ways. We collaborate with the University of Oxford on machine learning techniques through the Oxford-Man Institute, we seek to hire the very best quantitative talent to lead our research efforts and we invest in cutting edge hardware.

These efforts often involve input from all four of our investment management businesses. In doing so we are facilitating effective cross-pollination of ideas, both within Man Group, and between ourselves and the academic community, which we believe will help give an edge to our investment activities.

“We use advanced scientific methods to help inform our investment decisions.”

Sandy Rattray
Chief Investment Officer

\$3.2BN

Increase in FUM from positive performance in 2016

21

New models added to AHL's trading programmes

 Find out more about Excellence
with our values on page 21



Galia
Velimukhametova
(GLG)

Investment management review



Man AHL

Science applied
to finance

Established in 1987, Man AHL (AHL) has today become a leading quantitative investment manager with funds under management of \$18.3 billion. The firm utilises a wide variety of systematic strategies covering momentum, technical signals, fundamental indicators and machine learning. Clients include some of the largest institutional investors, including sovereign wealth funds, pension funds and endowments.

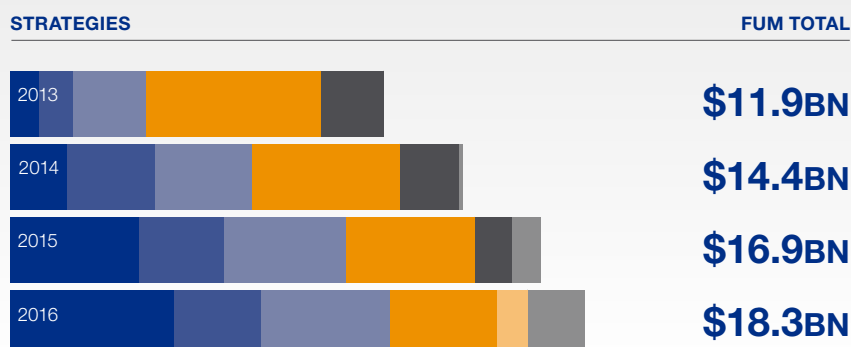
Headquartered in London, AHL employs over 146 investment professionals, including 114 researchers, across five locations. The firm's research benefits from work done at the Oxford-Man Institute (OMI), AHL's unique collaboration with the University of Oxford.

Strategies overview

AHL is a diversified quantitative manager with a wide strategic offering:

- **Traditional momentum:** AHL Alpha (along with its higher volatility version, AHL Diversified) is a trend following strategy supported by sophisticated algorithms. This strategy was AHL's first offering and remains the institutional flagship product. This approach has consistently profited in both rising and falling markets, whilst exhibiting low correlations with other asset classes, particularly equities.
- **Non-traditional momentum:** AHL is also able to use its operational and execution strengths to apply its trend following strategies to non-traditional markets, or those which are less liquid, through its Evolution and Evolution Frontier programmes respectively. Those markets, which are more difficult to access, have proved more resilient to the unconventional market conditions experienced since the Global Financial Crisis, and to which CTA portfolios have struggled to adapt.

AHL is a broad business not a single strategy



- **Multi-strategy:** AHL's flagship multi-strategy programme, AHL Dimension, comprises a broad mix of high-conviction systematic models, spanning technical, fundamental and momentum styles. It utilises a wide universe of highly liquid markets covering equity, FX, fixed income, volatility and commodities. The range of strategies employed is designed to ensure that the product performs irrespective of market environment.
- **Sector-based:** These strategies allow investors to access specialised, sector or theme specific investment strategies across equity, currency and volatility markets.

2016 overview

Even though the investment industry is becoming much more fee conscious, institutional investors, who comprise the vast majority of AHL's clients, are increasingly willing to pay for uncommon exposures and proven alpha. The net inflows for AHL's alternative strategies remained strong over 2016, at \$3.7 billion, despite it being a challenging year for quant alternatives. This is testament, not only to AHL's long track record, but also to the differentiated exposures it provides clients with access to.

2016 also saw the launch of the Short Term Trading programme, which is a good example of the benefits of our ongoing research and innovation. While it was capacity limited at \$200 million, and was only offered to a handful of potential clients, it reached capacity within a week of being offered, all at full fees. We think this is a testament to both the quality of the research we do, and the strength of our client relationships.

AHL has also been continuing to play a core role in Man Group's investment solutions initiative with its new Institutional Solutions offering. We increasingly see clients wanting to define their own set of strategies, and to be more and more precise about the exposures they need within their overall portfolio. Each of these efforts is a logical step in our journey to become a fully diversified systematic investment manager.

Outlook

AHL believes that quantitative investment techniques are more relevant today than they have ever been, and will continue to grow in importance within the asset management and hedge fund industries. We live in a world where we trust machines to drive, to perform medical procedures and to execute military operations. Driverless cars were futuristic three years ago but are now being tested on the streets of many cities. AHL believes that we are on the verge of similarly seismic changes in the investment industry, where new technologies and techniques have the potential to revolutionise how capital is deployed.

AHL has positioned itself on the cutting edge of this trend, in particular through its involvement in the OMI. In 2016 the OMI transitioned from a focus on quantitative finance in general, to a specific concentration on machine learning and deep learning. The amount of data available to investors is massive and getting bigger. It is also getting more varied, with satellite and voice recognition technologies, for example, providing new and unconventional data streams. AHL is positioning itself so that it is best equipped with the methodologies to manage tomorrow's information overloaded world.

Investment management review continued



Man GLG

Great minds, thinking differently

Man GLG (GLG) has spent the last two decades developing an entrepreneurial culture where fund managers have the best possible platform to pursue their individual investment approaches. The firm believes that the combination of exceptional talent, collaborative work environment and the support of best-in-class technology and infrastructure can deliver market-beating returns.

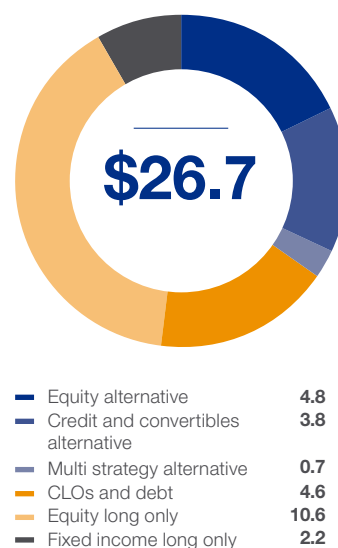
Active management is evolving, both from an analytical perspective, and in terms of client requirements. GLG's entrepreneurial culture has allowed it to adapt to this change. The firm increasingly engages expertise from across the firm to ensure that it fully benefits from the world leading tools and technology residing within the Group.

Strategies Overview

GLG manages a diverse range of alternative and traditional investment strategies that focus on equities and credit as well as multi-asset investment strategies.

- **Equities:** GLG's equities business comprises a range of alternative and long only strategies with investment expertise covering each of the major regions and specialist sectors. A wide range of investment approaches and styles are pursued by the various investment teams.
- **Credit and fixed income:** GLG's alternative and long only credit strategies span the credit spectrum and capital structure. Our alternative credit strategy incorporates a diverse range of approaches and asset classes including relative value, distressed debt, event driven, capital structure arbitrage, convertible bond arbitrage strategies and CLOs. Our long only credit strategies include investing in corporate bonds, convertible bonds and asset-backed securities with a range of approaches applied to each. GLG also has a comprehensive offering in Emerging Markets (EM) Debt, covering hard currency debt, local currency debt, EM currencies and EM rates.
- **Multi-asset:** GLG's multi-asset strategies consist of alternative and long only strategies. Our multi-asset strategies comprise a variety of investment approaches and styles.

GLG (\$BN)
AS AT 31 DECEMBER 2016



Our values

Excellence

Good is not good enough, we strive to be excellent in all we do.

Our experienced management team is committed to investing in infrastructure over the short and long-term. In doing this, we are confident that we will be able to maintain best-in-class offerings in Technology, Compliance, Human Resources, Legal, Operations and Facilities.

ROSA, our proprietary central operational platform, delivers a co-ordinated process for the firm's trading as well as enhancing risk controls and expanding the analytics available to our portfolio managers. As regulatory requirements and clients' expectations develop, this single central system also delivers high quality, timely and dynamic reporting. We believe this capability allows us to respond to our clients' needs and market opportunities with greater speed, flexibility and assurance.

From a compliance perspective, we invest in the people and processes to support our aim of achieving the highest standards in compliance. Our legal teams are located across all the firm's trading jurisdictions, to help ensure that we fully understand the context and impact of varying requirements.

From a risk management perspective, we employ a 'three lines of defence model' to ensure our employees have the flexibility to create solutions applicable to our clients' needs, but to do this in an appropriately controlled environment. We believe that this instils a culture of compliance into all personnel. This is consistent with our commitment to run our business to the highest standards, and for the long-term.



Suraj Patel (AHL) and
Jamal Cottle-Mathurin
(Technology)

“By coaching and encouraging our people to be the best we retain them as they become leaders in their field.”

Luke Ellis
Chief Executive Officer

Our values

Clients



Our clients are at the heart of everything we do.

Client service is an essential part of our growth strategy. Our extensive global distribution network, long established client relationships, and high quality technology and infrastructure allow our front office to focus on our clients. We allow flexibility, with one basic rule: we work together to deliver better solutions for our clients.

We believe our infrastructure is one of our key commercial differentiators, maintaining our position at the forefront of the asset management industry and allowing us to constantly evolve and adapt as our clients' needs do.

Our clients all have one key contact within our distribution team, who understands them and their investment needs, and can present them with the diversified range of options we offer to enable cross buying by clients across our product range.

"We invest in talent, technology and research as we strive to deliver the best results for our clients."

Jonathan Sorrell
President

Investment management review continued

2016 overview

2016 was a challenging environment for discretionary investment management business. GLG experienced net outflows of \$3.0 billion across its alternative and long only strategies as a result of weaker performance in the first half of the year particularly. The lower FUM and weak performance also led to lower management fee revenue and performance fee profits. GLG has also been part of the Group's wider restructuring effort, where a number of underperforming strategies were closed during the year to improve returns and reduce costs.

Performance across GLG's product range was mixed given the difficult environment. GLG's alternative strategies ended the year slightly up on an overall basis, with weaker performance on a relative basis as GLG's alternative strategies dollar weighted composite underperformed the HFRX by -2.2%. Within alternatives, the credit strategies were the strongest performers. The environment was more challenging for our UK and Europe focused stock selection strategies, which underperformed in 2016. Our largest alternative strategy, ELS, returned -1.4%¹ for the year.

GLG's long only strategies had good performance, outperforming relative indices on an asset weighted basis by +2.1%. Japan Core Alpha, the \$7 billion strategy, endured a difficult first half but generated better performance in the second half of the year, ending the year up +5.4%² relative to the TOPIX. Despite this performance, the Japan CoreAlpha strategy experienced net outflows of \$1.6 billion during the year. GLG's UK and European equity long only strategies generally underperformed their benchmarks.

In 2015 we announced the hire of Guillermo Osses³ to head a new strategy for GLG Emerging Markets Debt. We built out the team during the first half of 2016 and launched three new strategies during the second quarter. The strategies had a strong start in performance terms, with the flagship total return fund returning 5.8%³ since its inception in late April 2016. Since launch the team has generated inflows of more than \$1 billion. There were also net inflows for GLG's Continental European, and European Mid Cap strategies, with both strategies raising in excess of \$200 million during 2016.

The firm continues to see demand for its CLO offering. Despite a slow market environment GLG successfully raised an additional \$400 million for a new European CLO. Increasing the assets of our CLO team has been an area of focus and the inflows are a positive outcome.

A number of changes amongst GLG's senior management occurred during 2016. Teun Johnston became GLG's sole CEO as Mark Jones became CFO of Man Group plc. Pierre-Henri Flamand, one of the firm's senior portfolio managers, took on the role of GLG CIO. Finally, Pierre Lagrange was appointed Senior Advisor to Man Group and Man GLG. In this role he will provide strategic counsel to Man Group's CEO and management, with specific focus on GLG and the ELS team.

Pierre-Henri's role as CIO, and a focus on bringing the best practices in risk management and technology to bear from across the Group, aims to improve the consistency of GLG's performance.

Outlook

GLG needs to improve the consistency of performance. The newly created CIO role underlines our focus on delivering sustainable performance across our strategies, as well as further enhancing collaboration across our teams. Longer term, we also see machine learning and deep learning techniques as key areas that could help improve our analysis of data, and thereby improve our decision making. This is an area where GLG can leverage the varied expertise of Man Group and, in particular, Man AHL's pioneering work in machine learning in finance.

Secondly, GLG aims to maximise the growth opportunities of existing strategies and teams. The best way of doing this is to ensure that all strategies are available in formats that allow a broad range of interested clients to invest.

Finally, GLG will look to develop new strategies to broaden its product offering. This will be done either through the hiring of new teams or, where appropriate, through launching new strategies with existing teams. In 2016, GLG launched various new strategies that are run by existing teams. We will continue to seek out new opportunities to broaden our strategy range throughout 2017.

While 2016 was a difficult year for the business, we have taken actions to improve performance in 2017 and beyond.

1 Represented by GLG European Long Short Fund – Class D unrestricted EUR

2 Represented by Man GLG Japan CoreAlpha Equity Fund – Class I JPY

3 Represented by Man GLG Global Emerging Markets Total Return Fund – Class I USD

Investment management review continued

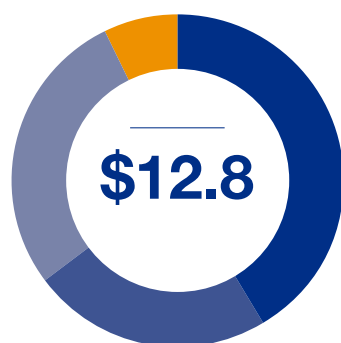
Man FRM

Dynamic and on-going partnerships

Man FRM (FRM) is a global hedge fund expert with over 25 years' experience in deploying hedge fund solutions within institutional portfolios. FRM provides an open architecture, full service hedge fund offering to clients, ranging from customised, advisory and commingled solutions, as well as a leading, technologically innovative managed account platform. These hedge fund services are also complemented by 'Clarus', FRM's sophisticated online portal providing clients with enhanced transparency and insights into their hedge fund investments.

With 44 investment professionals, based across the world, and assets of \$12.8 billion, FRM is able to leverage from the scale and expertise available across the entire Group, using cutting edge infrastructure to bring sophisticated hedge fund services to clients.

FRM (\$BN)
AS AT 31 DECEMBER 2016



Infrastructure and direct access managed accounts	5.3
Segregated accounts	3.0
Diversified FoHFs	3.6
Thematic HoHFs	0.9

A diversified offering

FRM is ideally placed to meet the needs of investors seeking access to externally managed hedge fund solutions.

FRM's traditional fund of hedge funds offering remains a core part of its business. While demand for "off the shelf" solutions has reduced, the demand from clients for customised hedge fund solutions has increased through the course of 2016. These solutions have often sought to exploit the strong technology and transparency infrastructure that FRM's leading managed account platform provides. FRM's Managed Account platform is among one of the largest in the industry.

2016 overview

FRM continues to see strong client interest in its infrastructure managed accounts offering and were awarded three additional mandates during the year totalling \$2.5 billion. FRM saw net inflows of \$1.8 billion into their infrastructure and direct access managed accounts, with an additional \$1.9 billion left to fund in 2017 onwards.

FRM's traditional fund of fund assets continued to decline, as investor appetite for these products becomes more subdued, particularly in Japan. During the year, there were \$1.0 billion of net outflows from FRM's traditional fund of fund strategies, and these assets are expected to continue to decline in future.

The shift in the mix of assets resulted in FRM's overall net margin declining from 80 basis points in 2015 to 69 basis points in 2016. This trend is expected to continue as the infrastructure managed accounts continue to grow and the traditional fund of fund assets decline. However, in 2016, FRM's management fee revenue remained stable as the growth in assets offset the impact of the decline in the overall net margin.

Innovative solutions

FRM continues to broaden its offering and technological capabilities by partnering with both AHL and Numeric, to develop innovative strategies to help solve the challenges clients face in their hedge fund portfolios. FRM played a key role in the development of the Man Alternative Beta platform, which seeks to provide highly capital and fee efficient access to core hedge fund strategies such as Momentum, Carry and Value. FRM has been deploying these strategies within its own portfolios since 2014 and helped launch a multi-strategy portfolio in late 2015. This capability has attracted a good level of client interest in 2016 with demand for access as both part of individual client's wider hedge fund allocation but also on a stand-alone

Clarus is Man Group's transparency portal that enables institutional clients to monitor and understand their investment positions, risk and performance.

Combining sophisticated analytics with comprehensive portfolio reporting tools on a single platform, Clarus aims to power informed decision-making, effective risk management and strong governance. Clarus helps answer the important questions every day:

How is my investment performing?

Don't wait for the performance report. With Clarus, you are able to monitor your performance instantly at portfolio and manager level and compare to a wide range of benchmarks.

What's driving my performance?

Puzzled by your performance? Clarus lets you delve into contributions and allocations, all the way to position level, to discover the source of your performance.

What risks am I exposed to?

Gain access to a thorough and timely understanding of risk with Clarus. Navigate risk factors, VaR, sensitivities, stress tests and much more for a real appreciation of your risk level.

Want to adjust your portfolio?

Look beyond your current portfolio with Clarus' construction tool. Whether you're looking to make a big change or just a small adjustment, Clarus' modelling powers can support your decision-making.

multi-strategy basis. The multi-strategy portfolio performed well and reached return targets, and we are seeing an increasing trend of alternative beta being adopted within investors' managed portfolios of hedge funds, which we expect to continue.

FRM are also focused on developing other innovative solutions to better serve our clients' hedge fund investment needs. Work has been conducted in a number of instances to create portfolios, which combine internal and external strategies to provide strong diversification in risk averse markets.

Outlook

FRM's business model has been shifting into that of a solutions provider, with a particular emphasis on developing services which can leverage off the scale and wide reaching range of capabilities across the whole of Group.

Successfully making this transition explains why FRM's FUM has been growing whilst many of its peers have been struggling to attract assets. FRM believes that its experience and expertise mean that the firm will continue to be able to provide insightful solutions to our clients' problems in the areas of fee levels, transparency, capital efficiency and governance.

Our values

Differentiation

We seek to be differentiated and original in our thinking.

At Man Group, we have a wide variety of strategies and asset classes to meet differing investor appetite for risks and rewards.

At Man AHL, we believe that the best way to extract value from leading minds is to encourage a thoughtful exchange of ideas in an open environment.

At Man Numeric, we are committed to the development and implementation of quantitative investment techniques to generate alpha. Consistent with this objective, we have committed significant resources toward building an investment team with strong research and modelling capabilities.

At Man GLG, we believe that different investment styles and approaches can be complementary and effective. Consequently, we encourage independent thinking, unconstrained by a house view.

At Man FRM, we have over 25 years' hedge fund research and investing experience. We believe that this accumulated knowledge, combined with our flexible approach to hedge fund investing offers unique advantages to our clients.

“We believe that our different investment styles and approaches are complementary.”

Sandy Rattray
Chief Investment Officer



Carol Ward (GLG)

Our values

Responsibility

We always do the right thing and conduct our business with the highest standards of integrity.

We recognise the importance of robust corporate governance practices that help to ensure effective oversight and strong accountability. With our scale we are well positioned to implement these behaviours across our investment engines.

We believe in the importance of promoting integrity and transparency within the investment management sector. We actively support our industry in developing and committing to standards in this regard. In 2008, we were a founding signatory of the Hedge Fund Standards Board (HSFB) and Luke Ellis is currently a member of the Board.

Environmental, Social and Corporate Governance (ESG) criteria are a key part of our stewardship responsibility. GLG and Numeric are proud signatories of the United Nations Principles for Responsible Investment (UNPRI), a network of international investors working together to put the principles of responsible investing into practice. Our sophisticated firm-wide technology platform allows us to approach ESG from a systematic, fundamental or negative screening perspective. The services of external ESG specialists, as well as research produced by our in-house analysts, ensure that portfolio managers are well positioned to consider and capitalise on ESG factors in their investment decisions.

Whilst our environmental impact is relatively limited, we strive to take all practicable and economic measures to conserve and reduce energy consumption at our offices around the world. We monitor our impacts using Credit 360, a system that measures relevant data and provides useful reporting. Due to our ongoing discipline, we have reduced our carbon emissions in 2016, as you can see from our disclosures in the Directors Report on page 91.

We also believe that it is important to contribute to the good of society. The Man Charitable Trust continues to donate time and funding to worthwhile initiatives with a current focus on raising the level of literacy and numeracy. Refer to page 44 for more details.

“Our responsibility is to pursue the highest standards of behaviour, both corporate and individual, which underpin our reputation and maintain the trust and loyalty of our clients and shareholders.”

Robyn Grew
Chief Administrative Officer



Simon Savage
(Man Solutions)

Investment management review continued

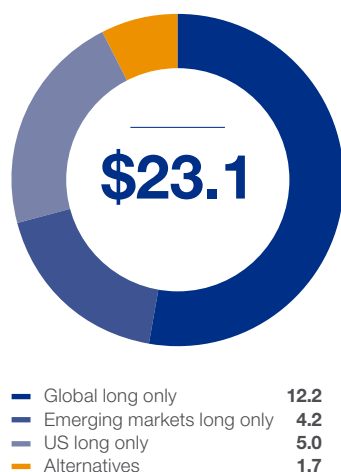
Man Numeric

Systematic implementation of fundamental investment themes

Man Numeric's (Numeric) strategy is to deliver alpha-focused, capacity-aware, customisable investment capabilities. We achieve this through thoughtful innovation, high-touch client service, and efficient implementation. We encourage transparency and open dialogue, and believe in empowerment with accountability.

Numeric's success rests squarely on its team of high-integrity and talented contributors who create alpha, serve clients, and advance our capabilities and platform. Numeric's team of 92, based in Boston, serve all these functions and manage \$23.1 billion.

FUM BY STRATEGY (\$BN)
AS AT 31 DECEMBER 2016



Strategies overview

Numeric is a quantitative asset manager with disciplined, systematic investment processes offering long only, active extension, and hedged equity strategies across regions, styles, and capitalisations. Numeric has a significant focus on optimal asset capacity limits, and is committed to ongoing investment in research and implementation. Numeric manages money on behalf of a variety of institutions including corporate and public pension plans, foundations, endowments and sovereign funds.

- **Long only and active extension:** Numeric has been managing quantitative long only equity strategies since 1989 and active extension since 2006. The investment philosophy and models we use are based on our long-standing belief in valuation and information flow signals, and their complementary nature.
- **Alternative:** Hedged strategies, which Numeric has managed since 1990, are designed to benefit from both long and short positions, while minimising macroeconomic and market risk. Numeric's alternative offerings combine uncorrelated alpha sources comprised of a diverse set of security selection strategies – Diversified Market Neutral, Innovation Portfolios and Fundamental Statistical Arbitrage.

2016 overview

2016 has been a year of two halves for Numeric. Performance struggled in the first half, with asset-weighted alpha of -1.9%. However, in the second half there was a pronounced recovery with the aggregate 2016 figure ending at +1.4%¹. This marks the sixth straight year of positive alpha, as demonstrated in the chart below, and contributes to the firm's strong long-term track record.

NUMERIC NET ASSET WEIGHTED ALPHA (%)¹

Year	Net Asset Weighted Alpha (%)
2012	4.5
2013	9.0
2014	2.3
2015	3.0
2016	1.4

¹ Numeric's net asset weighted alpha is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged. The comparatives for prior periods have been restated accordingly to be reflected on this basis.

Our values

Meritocracy



We succeed through talent, commitment, diligence and teamwork.

We seek to build a workplace that guarantees fairness and equal opportunities, while developing and retaining talent through continuing education and constructive feedback loops, flexible working policies and a comprehensive benefits scheme. Our culture is underpinned by mutual respect for others and we are committed to having a diverse workforce.

Achieving a better balance between male and female employees across the business is a key priority for Man Group. We remain committed to promoting gender diversity at all levels and our recruitment policy has the objective of securing balanced female representation on long lists of candidates for senior roles.

“We aim to create an environment that enables our staff to reach their full potential.”

Luke Ellis
Chief Executive Officer

Investment management review continued

2016 was a volatile year. The S&P 500 and MSCI World Indices were down over 10% to the February lows, but recovered by around 15%. In the latter part of the year, Numeric's systematic disciplined investment process captured significant alpha during the more volatile markets following surprising outcomes to the Brexit vote and U.S. Presidential election. Navigating these challenges in 2016 is a testament to the firm's continued innovation and the strength of its adaptive risk management processes.

Shared infrastructure

Numeric continues to derive significant benefit from Man's infrastructure and distribution expertise. Net inflows in 2016 were \$1.5 billion, with the majority of new sales coming through Man's existing sales force channels. The cumulative gross sales since the 2014 acquisition have been \$10.4 billion, which brings Numeric's AUM to \$23.1 billion.

One development this year, which illustrates the collaboration across the firm has been Numeric's progress in utilising Raptor, Man AHL's state-of-the-art proprietary Python-language research and daily production platform.

Outlook

Plans to extend Numeric's strategy offering to cover both China and frontier markets will put the business in a position whereby it will have the capability to trade every single significant public equity market in the world.

As well as expanding geographic coverage, Numeric is also diversifying its client offering into a number of newer strategies. Three such areas stand out in particular. First, the launch of the mutual fund pursuant to Integrated Alpha strategy expands Numeric's hedge fund offering to the US Market. Secondly, the firm continues to develop its Alternative Beta strategies which have performed well, and are increasingly relevant given growing client interest in cost effective risk premia return streams. Lastly, Numeric is looking for a partner to develop a Global version of its Low Volatility strategy in the early part of next year.



Finally, we are working to develop our recruitment processes. In particular we have been growing our network amongst the top graduate schools to ensure that we are able to compete for the best talent available.

Industry comment

In a time when the value of active management is increasingly questioned, Numeric continues to be a vigorous proponent for the existence of alpha. The rise of Smart Beta is a particular challenge to Numeric. In light of this the firm has undertaken a number of research studies to measure the extent to which alpha can be explained by Smart Beta factors. These studies illustrate the significant differences between naïve smart beta implementation and sophisticated active management.

Numeric has wide ranging investment solution capabilities spanning the spectrum from long only and market neutral, to complex customised offerings combining multiple investment approaches. Numeric's flexibility and track record means it is well positioned to continue to be an important alpha provider to its marketplace.

\$1.5BN

Numeric's net inflows in 2016

+1.4%'

Asset weighted alpha (net of fees) in 2016

¹ Numeric's net asset weighted alpha is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged. The comparatives for prior periods have been restated accordingly to be reflected on this basis.

Chief Financial Officer's Review



2016 was a turbulent year for asset managers. The environment impacted our financial results, with a statutory loss driven by the impairment of GLG and FRM's goodwill, and lower adjusted profit before tax driven by lower performance fee earnings.

Overview

Despite the difficult market conditions, we are pleased to report organic growth in funds under management (FUM), up 3% to \$80.9 billion. The increase was primarily driven by positive investment performance of \$3.2 billion, mainly from our long only strategies. In addition, we achieved net inflows of \$1.9 billion, mainly into our quant alternative and quant long only strategies, partially offset by material net outflows for our discretionary alternative and long only strategies. These positive movements were partially offset by negative FX and other movements, primarily as a result of the US Dollar strengthening during the year.

Net management fee revenue was \$691 million for the year, 9% lower than the previous year. This decline was mainly caused by the drop in management fee revenue for GLG due to the decrease in FUM during the year, as well as the decline in our higher margin guaranteed product FUM, with guaranteed product net management fees declining 59% from \$76 million to \$31 million in the year. As the guaranteed product FUM is \$400 million at 31 December 2016, we expect 2017 to be the last year where the reduction in our guaranteed product business has a significant year on year impact on our overall net management fees.

Performance fee revenues were \$81 million, which decreased from \$302 million in 2015, with declines across all of our investment managers, in particular for AHL, as the market environment proved difficult for a range of investment strategies.

We remain focused on operating our business as efficiently as possible, whilst also investing in research to build innovative strategies for clients. As discussed in the Chief Executive's Review, in 2016 we began to implement a Board approved restructuring plan to make some significant changes to the structure of the business. These restructuring initiatives will cost approximately \$21 million, of which \$17 million was recognised in 2016 as a compensation related restructuring charge in adjusting items, and will result in around \$20 million of annual fixed cost savings in 2017.

Our statutory loss before tax before tax was \$272 million (2015: statutory profit of \$184 million). The impairment of the goodwill and intangibles relating to the GLG and FRM businesses, of \$281 million and \$98 million respectively, was the main cause of the statutory loss. The impairment reflects the impact the challenging market environment has had on the valuation of discretionary investment management and fund of fund businesses. Our adjusted profit before tax was \$205 million, down from \$400 million in the prior year, and adjusted diluted earnings per share were 10.4 cents (2015: 21.1 cents). The majority of this decline was caused by the drop in our adjusted performance fee profit before tax to \$27 million, down from \$206 million in 2015. This decline reflects the difficult performance environment in 2016 across our strategies, particularly within quant alternatives. Adjusted management fee profit before tax was \$178 million, down from \$194 million in 2015. This reflects the \$68 million decline in net management fees, partially mitigated by our actions on costs.

Our balance sheet remains strong and liquid with net tangible assets of \$633 million or 38 cents per share at 31 December 2016. Our regulatory surplus capital is \$392 million at 31 December 2016, and we have a net cash position of \$240 million.

The business continues to be strongly cash generative, and our focus remains on generating strong cash flows to either return to shareholders or invest to generate improved future cash flows. In line with this approach, in 2016, we announced a \$100 million share repurchase, which we expect to complete in the coming months, and the acquisition of Aalto, which will utilise around \$70 million of capital in 2017.

Impairment of GLG and FRM

In 2016, we impaired the GLG and FRM goodwill and intangibles by \$281 million and \$98 million respectively. During the year, GLG had difficult business performance, with lower FUM, management fees and performance fees. While these trends are partially mitigated by lower future costs due to action we have taken, there was still a material reduction in the carrying value of the GLG business which led to the impairment. For FRM, the impairment reflects reduced prospects for the traditional fund of fund business in light of 2016 performance, rather than declines experienced in the year. In particular, we expect continued margin declines as the business mix moves towards investment solutions. It is worth noting that while we refer to our fund of fund business as FRM today, most of the goodwill relates to Man's historical acquisition of Glenwood in 2000.

Funds under management (FUM)

\$bn	Alternative			Long only		Total excluding Guaranteed	Guaranteed	Total
	Quant (AHL/ Numeric)	Discretionary (GLG)	Fund of funds (FRM)	Quant (AHL/ Numeric)	Discretionary (GLG)			
FUM at 31 December 2015	16.4	16.3	11.9	18.6	14.2	77.4	1.3	78.7
Sales	6.0	2.2	3.5	4.3	5.7	21.7	–	21.7
Redemptions	(2.3)	(4.1)	(2.7)	(3.7)	(6.8)	(19.6)	(0.2)	(19.8)
Net inflows/(outflows)	3.7	(1.9)	0.8	0.6	(1.1)	2.1	(0.2)	1.9
Investment movement	(0.3)	0.1	0.1	2.2	1.1	3.2	–	3.2
Foreign currency movement	(0.2)	(0.2)	(0.2)	(0.1)	(1.4)	(2.1)	–	(2.1)
Other movements	–	(0.4)	0.2	0.1	–	(0.1)	(0.7)	(0.8)
FUM at 31 December 2016	19.6	13.9	12.8	21.4	12.8	80.5	0.4	80.9

Quant alternative (AHL/Numeric)

Quant alternative FUM increased by 20% during the year, largely as a result of strong net inflows across AHL's range of strategies. Sales were \$6.0 billion, which included \$1.0 billion into Dimension, \$900 million into Alpha, \$900 million into Diversified, \$800 million into Institutional Solutions and \$700 million into Pure Momentum. Redemptions were \$2.3 billion, which included \$700 million from Diversified. The negative investment movement was a result of negative performance for Diversified, Alpha, and Dimension, partially offset by positive performance for Evolution and Numeric's alternative strategies. Negative foreign exchange movements related to the US Dollar strengthening against the Sterling, Euro and Australian Dollar. At 31 December 2016, around 68% of quant alternative FUM was denominated in US Dollars, 17% in Australian Dollars, 6% in Euro, 5% in Japanese Yen and 4% in Sterling.

Discretionary alternative (GLG)

Discretionary alternative FUM decreased by 15% during the year to \$13.9 billion. Net outflows of \$1.9 billion were mainly from long short equity and Convertibles strategies. Investment movement was marginally positive for the year. Negative foreign exchange movements related primarily to the strengthening of the US Dollar against the Euro and Sterling. At 31 December 2016, around 60% of Discretionary alternative FUM was denominated in US Dollars, 37% in Euro, 2% in Japanese Yen and 1% in Sterling. The negative other movements relate to CLO maturities during the year.

Fund of funds (FRM)

Fund of funds FUM increased by \$900 million, primarily as a result of net inflows during the year. Sales of \$3.5 billion included \$1.3 billion of inflows from infrastructure mandates awarded in previous years and \$1.0 billion from infrastructure mandates awarded in 2016, and \$500 million into segregated portfolios. Redemptions of \$2.7 billion included \$1.5 billion from traditional fund of fund strategies. The investment movement was broadly flat for the year. The negative foreign exchange movements were primarily due to the strengthening of the US Dollar against the Sterling, Australian Dollar and Euro. At 31 December 2016, 57% of alternative fund of fund FUM was denominated in US Dollars, 24% in Yen, 8% in Australian Dollars, 6% in Sterling and 5% in Euro.

Quant long only (AHL/Numeric)

Quant long only FUM increased by \$2.8 billion during the year, as a result of net inflows and positive investment performance for Numeric's strategies, partially offset by net outflows for AHL's quant long only strategies. Net inflows for Numeric's strategies were \$1.5 billion, which mainly related to their Emerging Market strategies, which are now close to capacity, and their Global strategies. AHL's remaining long only assets were fully redeemed during the year, with outflows of \$900 million. Positive absolute investment performance in quant long only products increased FUM by \$2.2 billion during the year, and Numeric's net asset weighted outperformance against applicable benchmarks was 1.4%¹ for the year. The majority of quant long only FUM is denominated in US Dollars.

¹ Numeric's net asset weighted alpha for the year to 31 December 2016 is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged.

Discretionary long only (GLG)

Discretionary long only FUM decreased by 10%, driven by net outflows and negative foreign exchange movements. The net outflows included \$1.6 billion of net outflows from Japan CoreAlpha, despite good performance, partially offset by net inflows of \$1.1 billion into the new Emerging Market Debt strategies. The positive investment movement was spread broadly across the range of discretionary long only strategies, with Japan CoreAlpha the strongest performer, contributing around half of the positive investment movement. Negative foreign exchange movements related to the strengthening of the US Dollar against Sterling and Euro. At 31 December 2016, 52% of discretionary long only FUM was denominated in Sterling, 20% was in Yen, 18% was in US Dollars and 10% was in Euro.

Guaranteed products

Guaranteed product FUM reduced by \$900 million during the year. There were no sales and redemptions totalled \$200 million. Investment performance for guaranteed products was broadly flat during the year. Other negative movements relate to maturities of \$400 million and de-gearing of \$300 million during the year.

Chief Financial Officer's Review continued

Summary income statement

Investment performance and fund flows drive the economics of our business. Management fees are typically charged for providing investment management services at a percentage of each fund's gross investment exposure or net asset value. Performance fees are typically charged as a percentage of investment performance above a benchmark return or previous higher valuation 'high water mark'.

Man is fundamentally a people business and the majority of our costs comprise payments to individuals, whether they are our investment managers who manage investor assets, internal sales staff who distribute our products, or the teams that manage our operations and infrastructure.

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Gross management and other fees ¹	750	833
Share of post-tax profit of associates	2	3
Distribution costs	(61)	(77)
Net management fee revenue	691	759
Performance fees	81	302
Gains on investments ²	31	24
Net revenue	803	1,085
Asset servicing	(33)	(32)
Fixed compensation	(182)	(177)
Variable compensation	(206)	(285)
Other costs ¹	(166)	(177)
Total costs	(587)	(671)
Net finance expense	(11)	(14)
Adjusted profit before tax	205	400
Adjusting items	(477)	(216)
Statutory (loss)/profit before tax	(272)	184
Adjusted net management fee profit before tax	178	194
Adjusted net performance fee profit before tax	27	206
Diluted EPS (statutory)	(15.8) cents	10.0 cents
Adjusted net management fee EPS	9.0 cents	10.2 cents
Adjusted diluted EPS	10.4 cents	21.1 cents

1 Management and other fees also includes \$4 million (2015: nil) of management fee revenue, and other costs includes a deduction of \$2 million of costs (2015: nil) relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 14.2 on page 117).

2 Gains on investments includes income or gains on investments and other financial instruments of \$52 million (2015: \$15 million), less \$15 million third party share of gains relating to line-by-line consolidated fund entities (2015: plus \$9 million third party share of losses), less the reclassification of management fee revenue of \$4 million and other costs of \$2 million as above (2015: nil).

Management fees and margins

Management fees were \$750 million, 10% lower than the previous year. The decrease mainly relates to the decline in net management fee revenue from discretionary alternative and long only strategies due to a decrease in FUM during the year, and the continued roll off of the guaranteed product FUM, partially offset by an increase in management fee revenue from quant strategies. There is \$400 million of guaranteed product FUM remaining at 31 December 2016, therefore, there will be less of an impact of declining revenue from these assets in 2017 and beyond.

The Group's total net management fee margin (defined as gross management fees less external distribution costs) decreased by 9 basis points during the year to 87 basis points, compared to 96 basis points in the previous year. The decline in the overall net margin is mainly due to the continued roll off of the higher margin guaranteed product assets, the mix shift within quant and fund of fund alternatives to lower margin institutional assets, and the growth of quant long only FUM, which is at a lower margin. Excluding guaranteed products, the overall net margin decreased by 5 basis points to 83 basis points.

During the year, the quant alternatives net management fee margin reduced by 14 basis points as a result of the continued mix shift towards institutional assets and retail business at a lower margin, and a decline in the higher margin retail back book of assets. During the year, quant alternative sales were at an average margin of 135 basis points and redemptions were at an average margin of 180 basis points. Going forward, it is expected that the quant alternatives margin will gradually decline further as the shift towards institutional assets and lower margin retail business continues.

Net management fee revenue

	Year ended 31 December 2016		Year ended 31 December 2015	
	\$m	Net margin	\$m	Net margin
Quant alternatives	260	1.40%	234	1.54%
Discretionary alternatives	138	0.93%	169	0.98%
Fund of fund alternatives	83	0.68%	81	0.80%
Quant long only	69	0.35%	59	0.34%
Discretionary long only	95	0.78%	121	0.79%
Guaranteed	31	4.28%	76	4.64%
Other income ¹	13		16	
Net management fee revenues before share of after tax profit of associates	689	0.87%	756	0.96%
Share of post-tax profit of associates	2		3	
Net management fee revenues	691		759	

1 Other income primarily relates to distribution income from externally managed products.

Net management fee margins in the discretionary alternative category reduced by 5 basis points during the year, primarily as a result of redemptions from higher margin strategies.

The net margin for the fund of funds category decreased by 12 basis points compared to 2015, as a result of the continued mix shift towards infrastructure managed account mandates, with net inflows of \$1.8 billion during the year, where margins are materially lower. The fund of fund alternatives margin is expected to decline further as the shift towards lower margin managed account mandates continues.

The quant and discretionary long only net management fee margins were broadly stable during the year.

The guaranteed product net management fee margin decreased by 36 basis points compared to the year ended 31 December 2015 due to maturities from higher margin products during the year.

Performance fees (including investment income/gains)

Gross performance fees for the year were \$81 million compared to \$302 million in 2015, which included \$50 million (2015: \$218 million) from AHL, \$9 million (2015: \$37 million) from GLG, \$19 million (2015: \$40 million) from Numeric and \$3 million (2015: \$7 million) from FRM. At 31 December 2016, around 34% of AHL open ended products (\$5.7 billion) were above performance fee high water mark and 31% (\$5.2 billion) was within 5% of high water mark. Of the \$7.8 billion performance fee eligible Numeric products, 81% were outperforming the relevant benchmark at 31 December 2016. Around 33% of eligible GLG assets (\$3.2 billion) were above high water mark and a further 47% (\$4.5 billion) within 5% of earning performance fees. FRM performance fee eligible products were on average approximately 8% below high water mark.

The Group benefits from a portfolio of performance fee streams across a variety of strategies that are charged on a regular basis at different points in the year. 94% of AHL FUM is performance fee eligible, of which 79% have performance fees that crystallise annually, 16% daily or weekly, and 5% monthly. The majority of GLG's performance fees crystallise semi-annually in June or December. Around 50% of Numeric performance fee eligible FUM crystallises annually in November, with the remainder crystallising at various points during the year.

Investment gains of \$31 million (2015: \$24 million) primarily relate to gains on seeding investments.

Distribution costs

Distribution costs were \$61 million in 2016, primarily relating to investor servicing fees paid to intermediaries for ongoing investor servicing. Servicing fees have decreased by 20% largely due to the continued mix shift towards institutional assets, particularly in the alternatives quant category, and the roll off of guaranteed product FUM.

Asset servicing

Asset servicing costs include custodial, valuation, fund accounting and registrar functions, and vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were \$33 million (2015: \$32 million), equating to around 5.5 basis points of average FUM, excluding Numeric. In 2017, asset servicing costs will increase to around 6 basis points on FUM, excluding Numeric, as a result of further outsourcing in relation to our Asia Pacific business.

Compensation costs

Compensation costs comprise fixed base salaries, benefits, variable bonus compensation (cash and amortisation of deferred compensation arrangements) and associated social security costs.

Total compensation costs, excluding adjusting items, were \$388 million for the year, down by 16% compared to \$462 million in 2015. Overall, compensation costs decreased primarily as a result of lower management and performance fee revenues. Variable compensation fell by 28%, slightly more than the reduction in net revenue. The compensation ratio in 2016 increased to 48%, from 43% in 2015, as a result of the lower level of performance fee revenue. The Group's compensation ratio is generally between 40% to 50% of net revenues, depending on the mix and level of revenue. We expect to be at the higher end of the range in years when absolute performance fees are low and the proportion from Numeric and GLG is higher, and conversely we expect to be at the low end of the range when absolute fees are high and the proportion from AHL and FRM is higher.

Other costs

Other costs, excluding adjusting items, were \$166 million for the year compared to \$177 million for the year to 31 December 2015. These comprise cash costs of \$152 million (2015: \$161 million) and depreciation and amortisation of \$14 million (2015: \$16 million). The \$9 million reduction in cash costs reflects the continued efforts to remain disciplined on costs, which has resulted in a lower underlying other costs base compared to 2015. Depreciation and amortisation has decreased by 13% this year due to the 2015 charge including a one-off expense of \$2 million. Depreciation and amortisation is expected to increase in the next few years due to investment in operating platforms and business infrastructure and planned capital expenditure of between \$40 million and \$50 million over the next two to three years.

Restructuring

During 2016, we began to implement a Board approved restructuring plan to make some significant changes to the structure of the business. We have altered our senior management structure, shut down underperforming strategies in our investment management business, and changed the structure of our sales function and the extent of our regional footprint. A compensation related restructuring charge of \$17 million was recognised as an adjusting item. These restructuring initiatives will continue into 2017 and will be completed by the end of the year. The total fixed cost savings are expected to be around \$20 million per year, which will be realised in 2017.

Net finance expense

Net finance expense, excluding adjusting items, was \$11 million for the year (2015: \$14 million). The decrease is due to lower ongoing costs for the Group's revolving credit facility, which was renegotiated in June 2015. The revolving credit facility was renegotiated further during the year, reducing from \$1,000 million to \$500 million, which will lower financing costs going forward.

Adjusted profit before taxes

Adjusted profit before tax is \$205 million compared to \$400 million for the previous year. The adjusting items in the year of \$477 million (pre-tax) are summarised in the table below and detailed in Note 2 to the Group financial statements. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax losses in the US), impairment of assets, restructuring costs, and certain non-recurring gains or losses, which therefore reflects the recurring revenues and costs that drive the Group's cash flow and inform the base on which the Group's variable compensation is assessed.

	Year ended 31 December 2016
Adjusting items \$m	
Acquisition related professional fees and other integration costs	(2)
Impairment of GLG and FRM goodwill and intangibles	(379)
Revaluation of contingent consideration creditors	40
Unwind of contingent consideration discount	(19)
Compensation restructuring costs	(17)
Other restructuring costs	(4)
Amortisation of acquired intangible assets	(94)
Other adjusting items (net)	(2)
Total adjusting items (excluding tax)	(477)
Recognition of deferred tax asset (refer to following page)	6

Chief Financial Officer's Review continued

Adjusted net management fee and net performance fee profit before tax

Adjusted net management fee profit before tax was \$178 million compared to \$194 million in 2015 due to the decrease in gross management fees, partially offset by a decrease in costs. Adjusted net performance fee profit before tax of \$27 million (2015: \$206 million) for the year reflects the lower performance fees across the business, particularly for AHL.

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Gross management and other fees ¹	750	833
Share of post-tax profit of associates	2	3
Less:		
Distribution costs	(61)	(77)
Asset services	(33)	(32)
Compensation	(312)	(351)
Other costs ¹	(166)	(177)
Net finance expense	(2)	(5)
Adjusted net management fee profit before tax	178	194
Performance fees	81	302
Gains on investments and other financial instruments ²	31	24
Less:		
Compensation	(76)	(111)
Finance expense	(9)	(9)
Adjusted net performance fee profit before tax	27	206

- 1 Gross management and other fees also includes \$4 million (2015: nil) of management fee revenue, and other costs includes a deduction of \$2 million of costs (2015: nil) relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 14.2 on page 117).
- 2 Gains on investments includes income or gains on investments and other financial instruments of \$52 million (2015: \$15 million), less \$15 million third party share of gains relating to line-by-line consolidated fund entities (2015: plus \$9 million third party share of losses), less the reclassification of management fee revenue of \$4 million and other costs of \$2 million as above (2015: nil).

Taxation

The tax credit on the statutory loss for the year was \$6 million (2015: tax charge of \$13 million). This equates to an effective tax rate of 2% (2015: 7%). The GLG and FRM goodwill and intangibles impairment charge is largely not deductible for tax purposes, and as the Group has made a statutory loss, this is the primary cause of the lower tax rate.

Excluding these impairment charges and other adjusting items, the effective tax rate on adjusted profit was 14% (2015: 10%). This rate is higher than the underlying rate on adjusted profit of 13% (2015: 13%), as a result of certain expenses on which no tax relief is received.

The underlying rate represents the statutory tax rates in each jurisdiction in which we operate applied to our geographical mix of profits. The majority of Man's profit is earned in the UK, with significant profits also arising in the US, where our tax rate is effectively nil as a result of available tax losses, and in Switzerland, which has a lower rate than the UK. The principal factors that we expect to influence our future underlying tax rate are: the mix of profits by tax jurisdiction; and changes to applicable statutory tax rates.

Should the earnings profile of the Group in the US increase significantly this could result in the earlier recognition of the US deferred tax asset in full and as a result the tax rate for the Group would change in line with the prevailing corporation tax rate in the US and the proportion of the Group's profits at that time. The underlying tax rate in 2017 is currently expected to remain consistent with 2016, dependent on the factors outlined above.

In the US, we have \$210 million of accumulated federal tax losses which we can offset against future profits from US entities and will therefore reduce taxable profits. In addition, we have \$485 million of tax deductible goodwill and intangibles, largely relating to the Numeric (2014) and Ore Hill (2008) acquisitions, which are amortised for tax purposes in the US over 15 years, reducing US taxable profit in future periods. We therefore expect not to pay federal tax in the US for a number of years. Based on forecast US taxable profits and consistent with the methodology applied in prior years, the Group has a deferred tax asset on the balance sheet of \$25 million, which represents probable tax savings over a three year forecast period due to the utilisation of these losses and future amortisation of intangibles. This has resulted in a \$6 million credit to the tax expense in the year (2015: \$11 million credit), which is included as an adjusting item. Further details on this deferred tax asset are given in Note 8 to the financial statements.

Cash earnings (EBITDA)

The Group continues to generate strong cash earnings. As the Group has a number of non-cash items in the income statement it is important to focus on cash earnings to measure the true earnings generation of our business. The table below gives a reconciliation of adjusted profit before tax to adjusted EBITDA. The main differences are net finance expense, depreciation and amortisation, and deferred compensation charges relating to deferred awards. Our adjusted EBITDA/net revenue margin was 27.8% (2015: 38.8%), which can be divided between margin on management fees of 26.1% (2015: 27.2%) and performance fees of 39.8% (2015: 66.0%). The EBITDA management fee margin has decreased due to the continued decline in higher margin guaranteed product FUM, and a shift to lower margin institutional and long only assets. The EBITDA performance fee margin has decreased as a result of a higher percentage of performance fee variable compensation in 2016, as a result of the low level of performance fee revenue for the year.

Reconciliation of adjusted PBT to adjusted EBITDA

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Adjusted PBT (refer to Note 2 in the financial statements)	205	400
Add back:		
Net finance expense	11	14
Depreciation	11	13
Amortisation of capitalised computer software and placement fees	5	6
Current year amortisation of deferred compensation	55	53
Less: Deferred compensation awards relating to the current year	(63)	(64)
Adjusted EBITDA	224	422

The full cash flow statement is given on page 102.

Liquidity

Operating cash flows, excluding working capital movements, were \$245 million during the year and cash balances were \$389 million at year end, excluding cash relating to consolidated fund entities.

\$m	Year ended 31 December 2016
Cash at 31 December 2015	607
Operating cash flows before working capital movements	245
Working capital movements (including seeding)	(161)
Payment of dividends	(158)
Share repurchase (including costs)	(35)
Payment of acquisition related contingent consideration	(25)
Other movements	(47)
Cash and cash equivalents	426
Less cash held by consolidated fund entities	(37)
Cash at 31 December 2016	389

Working capital movements principally relate to a decrease in the variable compensation payable, as we reduced compensation in 2016 to reflect lower performance revenue, and an increase in seeding investments, partially offset by a decrease in performance fee receivables at the year-end.

In October, we renegotiated our revolving credit facility, reducing its size from \$1,000 million to \$500 million, and extended the maturity to 2021 (with one remaining one-year extension option). The facility remains available and undrawn. The management of liquidity and capital are explained in Note 13 and Note 21 to the Group financial statements, respectively.

Balance sheet

The Group's balance sheet is strong and liquid. Cash has decreased during the year largely as a result of dividends on ordinary shares (\$158 million), net increase in seeding investments (\$116 million), the share repurchase and associated costs (\$35 million), and contingent consideration payments (\$25 million), partially offset by other cash inflows from operating activities. Goodwill and other intangibles have decreased in 2016 primarily due to amortisation and impairment of \$473 million.

Summarised balance sheet \$m	31 December 2016	31 December 2015
Cash and cash equivalents	426	607
Fee and other receivables	257	303
Total liquid assets	683	910
Payables	(704)	(750)
Net liquid assets	(21)	160
Investments in fund products and other investments	685	581
Pension asset	27	48
Investments in associates	31	30
Leasehold improvements and equipment	44	44
Total tangible assets	766	863
Borrowings	(149)	(149)
Net deferred tax asset/(liability)	16	(10)
Net tangible assets	633	704
Goodwill and other intangibles	1,041	1,511
Shareholders' equity	1,674	2,215

Seeding investments

Man uses capital to invest in new product launches to assist in the growth of the business. At 31 December 2016, the Group's seeding investments were \$642 million (refer to Note 14 in the financial statements), which have increased from \$526 million at 31 December 2015. The increase is mainly due to new seeding investments during the year, primarily in relation to the new AHL Oxon strategy and a number of new GLG strategies.

Regulatory capital

Man is compliant with the FCA's capital standards and has continued to maintain significant surplus regulatory capital throughout the year. At 31 December 2016, surplus regulatory capital over the regulatory capital requirements was \$392 million.

The decrease in the Group financial resources of \$68 million in the year primarily relates to the \$100 million share repurchase programme, which commenced in October.

The decrease in the Group financial resources requirement of \$7 million primarily relates to a lower capital requirement on performance fee receivable balances, partially offset by a higher requirement for the increase in seeding investments.

Group's regulatory capital position

\$m	31 December 2016	31 December 2015
Permitted share capital and reserves	1,530	2,087
Less deductions (primarily goodwill and other intangibles)	(995)	(1,485)
Available Tier 1 Group capital	535	602
Lower Tier 2 capital – subordinated debt	149	149
Other Tier 2 capital	2	3
Group financial resources	686	754
Less financial resources requirement	(294)	(301)
Surplus capital	392	453

As at 31 December 2016 there has been no change to the Internal Capital Guidance scalar that is applied as part of the calculation of the financial resources requirement.

Dividends and share repurchases

Man's dividend policy is to pay out at least 100% of adjusted net management fee earnings per share (EPS) in each financial year by way of ordinary dividend. In addition, Man expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available capital surpluses will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities.

Adjusted net management fee EPS is considered the most appropriate basis on which to routinely pay ordinary dividends as this represents the most stable earnings base of the business, and enables the Board to utilise performance fee earnings over time in the most advantageous manner to support the Group's strategy.

In October 2016, we commenced a \$100 million share repurchase programme, which was 35% complete as at 31 December 2016. The repurchase programme is expected to be completed in the coming months, and details are given in Note 21 to the financial statements on pages 123 to 125.

The Board is proposing a final dividend for 2016 of 4.5 cents per share, which together with the interim dividend of 4.5 cents per share, equates to the adjusted net management fee EPS for 2016 of 9.0 cents per share. The reconciliation of adjusted net management fee EPS to the statutory loss is provided in Note 9 to the financial statements (page 110).

The proposed final dividend equates to around \$75 million, which is more than covered by the Group's available liquidity and regulatory capital resources. As at 31 December 2016, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to \$361 million and the undrawn committed revolving credit facility was \$500 million, as set out in Note 13 to the Group financial statements. The Group regulatory capital surplus, after these distributions, was \$392 million at the year-end, as shown on this page. Man Group plc's distributable reserves were \$1.8 billion before payment of the proposed final dividend, which is sufficient to pay dividends for a number of years, and as profits are earned in the future the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Key dates relating to the proposed final dividend are: ex-dividend date 20 April 2017; record date 21 April 2017; AGM to approve the final dividend 5 May 2017; and payment date 12 May 2017. Further details on the Group's dividend can be found in the Shareholder Information section on page 140.

Mark Jones

Chief Financial Officer

Risk management

An integrated approach

Risk management is an essential component of our approach, both to the management of investment funds on behalf of investors, and the management of Man Group's business on behalf of shareholders.

Ultimate responsibility for risk management rests with Man Group's Board, however, accountability is embedded throughout all layers of the business. Our risk management framework requires that the business operates within acceptable risk tolerances, as defined by the Board's risk appetite. Our governance structure provides a foundation for ongoing oversight in a dynamic environment. Independent fund boards are responsible for protecting the interests of fund investors.

Developments in 2016

Investment underperformance continues to be the biggest risk facing the Group. Performance fees declined by 73% compared to 2015, as described on page 33. The Group has continued to bolster its broad range of investment styles and products in key markets.

This year the Group launched Man Global Private Markets (Man GPM). Private market strategies are run in long duration funds, increasing FUM longevity, while continuing to diversify Man's product offering. Man GPM will over time develop strategies across private markets such as real estate, credit, and infrastructure. As part of this strategy a number of key hires were made in 2016, along with the announcement of the Aalto acquisition.

The expansion of our diversified product offering is supported by our balance sheet, which we have utilised to continue the Group's seeding programme. 2016 has seen the launch of several new funds including the GLG Emerging Markets Debt strategy and AHL Oxon. Whilst the Group is exposed to a decline in the value of seed investments, supporting the development of new products will increase and diversify revenues.

Markets in 2016 have been characterised by significant political events. In June, following the UK's EU membership referendum, credit spreads widened and the value of the British Pound fell sharply. The US presidential election resulted in short-lived market volatility, a stronger US Dollar and increased yields on US Treasuries.

Our counterparty risk exposures at corporate and fund level are closely monitored. The risk to the Group's balance sheet from counterparty defaults remains low. We are conscious, however, of the continued risk of individual events or downturns in market sentiment and continue to take a conservative approach to counterparty selection.

Man Group is subject to regulation on a global basis; the Group continues to focus on keeping our operational and risk management frameworks appropriate for our evolving global business. In the 'Principal risks and mitigants' section on pages 38 to 39 we have noted a number of regulatory developments. Regulation continues to evolve at different paces across the world.

Our operating model is reliant on technology therefore the heightened threat from cyber-crime remains an area of increased focus for the Group.

We continue to seek the most efficient ways to fund our regulatory capital and liquidity requirements. In October, we began a share repurchase programme which will return \$100 million of capital to shareholders. As at 31 December 2016, the programme was around 35% complete.

Assessment of principal risks

The directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The directors describe these principal risks on pages 38 and 39 and explain how they are being managed or mitigated.

Brexit

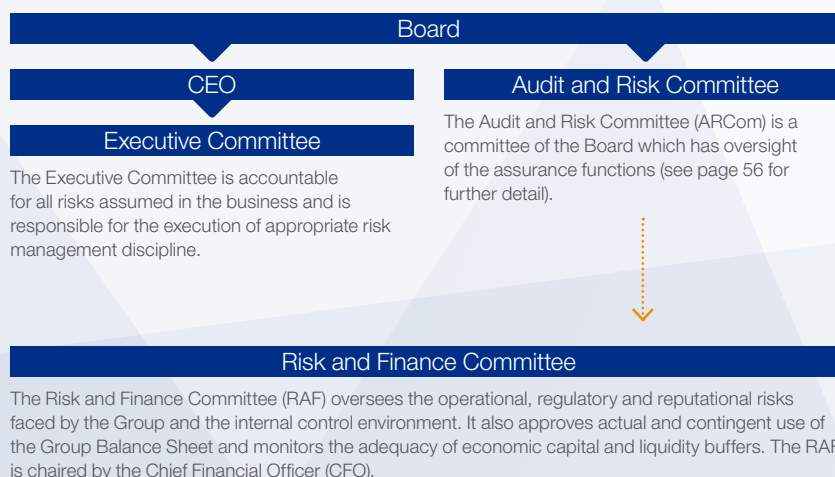
The UK's decision by referendum to exit from the EU may lead to political, legal, tax and economic changes. This may impact general economic conditions in the UK and various other countries.

It is not yet clear the extent to which EU regulations will remain applicable or will be replaced by different UK regulations with respect to investment managers following a UK exit from the EU or what legal or cooperation arrangements the UK may put in place with the EU.

A UK exit may impact investment managers ability to access markets, make investments, attract and retain employees, enter into agreements (on its own behalf or on behalf of its funds) or continue to work with non-UK counterparties and service providers.

Man Group's governance

The committees below have been given a mandate by the Board and the CEO to oversee the risk management framework. These committees provide assurance to the Board that risk has been managed according to the risk appetite statements.



Man's risk appetite statements

The risk appetite statements are set by the Board and cover all significant risk categories. They apply to both the investment management functions and Man Group itself. The statements express the Board's appetite for risk, promote a risk aware culture and set out objectives and boundaries for Man Group's business.

The primary goal of risk management is to support the achievement of the Group's objectives by encouraging an appropriate balance between risk-seeking and risk-averse activities, in a controlled and regulatory compliant context.

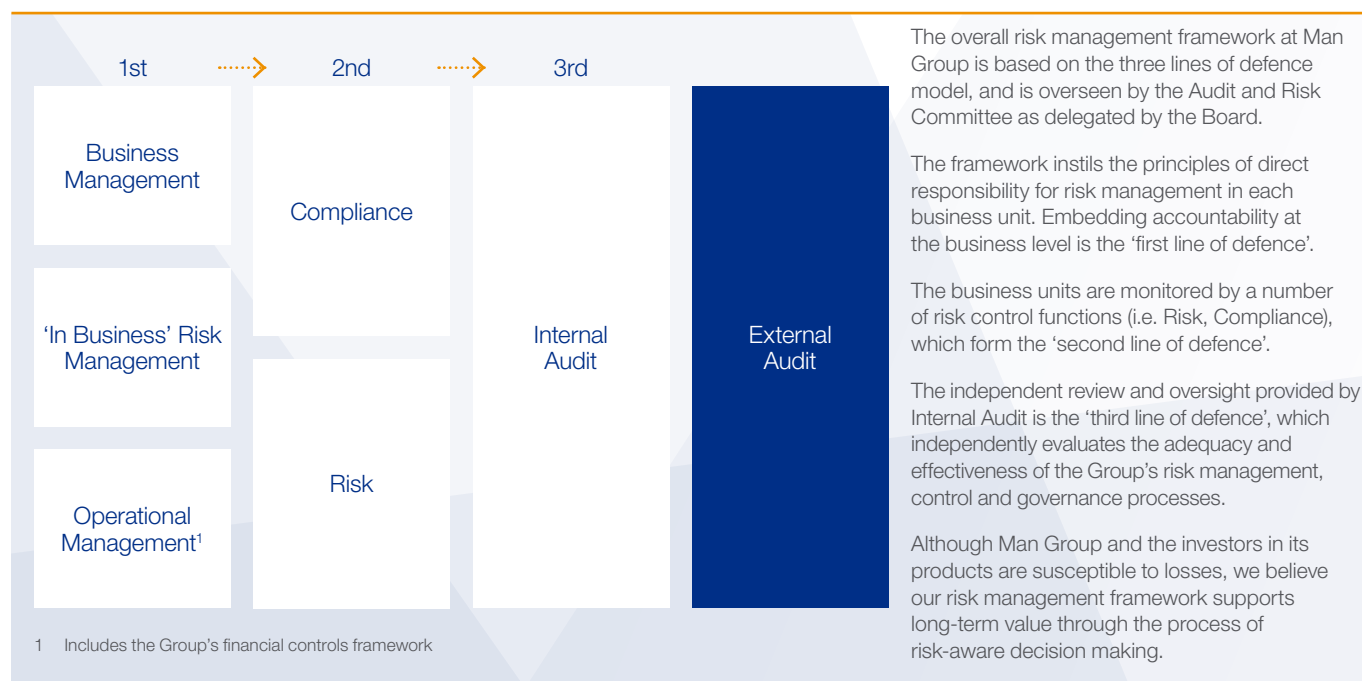
The governance framework and control environment within the Group have been designed to manage risks in accordance with risk appetite. The Board and ARCom receive regular reporting on the Group's risk profile and adherence with risk appetite. In the event that breaches to risk appetite occur, these will be resolved in line with the Group's procedures and processes. The statements are reviewed periodically by the Board.

A summary of the risk appetite statements is available at www.man.com.

Viability statement

- The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. A three year period was selected as this is consistent with the Group's business planning horizon.
- The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described in this section of the Annual Report. The principal risks are linked to each of the Group's strategic priorities, as shown on pages 12 to 13.
- The strategy and associated principal risks form the basis of the Group's Medium-Term Plan. This covers a three year period, and includes downside scenario testing.
- The Group's Medium-Term Plan is built by aggregating the expected business performance across the Group, and then stressing key business assumptions (particularly those regarding investment performance and fund flows).
- The plan is also stress tested in a number of downside scenarios as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP). The Board also receives regular updates throughout the year of the internally assessed level of economic capital requirement, relative to available capital supply.
- The Medium-Term Plan and ICAAP assessments are augmented throughout the year by regular briefings at the Audit and Risk Committee by business unit heads on strategy, risk and controls, as well as dashboards across risk, compliance, finance and internal audit. The principal risks are considered within the Board's risk appetite framework.

Three lines of defence



Principal risks and mitigants

Our comprehensive risk framework includes strategic, financial and operational risks to both Man Group and our funds.

Risks	Mitigants	Status
<p>1. Investment underperformance risk</p> <p>Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups would reduce FUM and may result in lower subscriptions and higher redemptions. This risk is exacerbated at times of volatile markets. This may also result in dissatisfied clients, negative press and reputational damage.</p> <p>Lower FUM results in lower management fees and underperformance results in lower performance fees, if any.</p> <p>Adverse market moves and high volatility may sharply increase the demands on the liquid resources in Man Group's funds. Market stress and increased redemptions could result in the deterioration of fund liquidity and in the severest cases this could lead to the gating of funds.</p>	<p>Man Group's investment businesses each have clearly defined investment processes designed to target and deliver on the investment mandate of each product. We focus on hiring and retaining highly skilled professionals who are incentivised to perform within the parameters of their mandate.</p> <p>Man Group's diversified range of products and strategies across the alternatives marketplace mitigates the risk to the business from underperformance of any particular strategy.</p> <p>Man Group conducts regular liquidity tests on its funds and endeavours to manage resources in such a way as to meet all demands for fund redemptions according to contractual terms.</p>	<p>2016 was a challenging year with volatile markets and a number of significant political events leading to varied performance across Man's funds.</p> <p>The discussion of Man Group's performance is on pages 10 to 29.</p>
<p>2. Regulatory risk</p> <p>Regulatory risk is the risk that a change in laws and regulations will materially impact Man Group or the sector or market within which it operates.</p> <p>Man Group offers an increasingly wide range of investment products covering multiple strategies from a global network of offices. It is licensed in multiple jurisdictions, which results in Man Group being subject to a matrix of regulations.</p> <p>The Financial Conduct Authority in the UK is Man Group's lead regulator.</p>	<p>Man Group regularly conducts independent reviews for all its products to assess compliance with regulations as they emerge and change.</p> <p>Man Group continues to liaise directly and indirectly with competent authorities e.g. FCA, IOSCO, ESMA, HMT, NFA, DFSA and CSRC through its Global Compliance department which consists of 38 specialists covering Corporate, Investment Management, Sales and Marketing and Financial Crime.</p>	<p>Man is experiencing an increase in the breadth and complexity of regulations globally including the Markets in Financial Instruments Directive (MiFID II), Dodd Frank and the Senior Managers Certification Regime (SMCR) among others. These may result in an increase in regulatory risk in the short-term as these regulations are implemented.</p>
<p>3. Balance sheet market risk</p> <p>Man Group uses capital to seed new funds to build our fund offering and expand product distribution. Man Group is therefore exposed to a decline in value of the seeding book.</p> <p>Man Group also underwrites the risks related to the UK defined benefit pension plan which closed to new members in 1999 and future accrual in 2011. The plan is well funded, but is exposed to changes in net asset versus liability values.</p> <p>Volatile markets can place additional, often short-term, demands on the balance sheet. Man Group is exposed to having insufficient liquidity resources to meet its obligations.</p>	<p>Requests for seeding capital are assessed on their strategic rationale for the business. Approvals are granted by the Seed Investment Committee (SIC), which is comprised of senior management, Risk and Treasury. Investments are subject to risk limits, an exit strategy and are hedged to a benchmark where appropriate. The positions are monitored regularly by Group Risk and reviewed by the SIC.</p> <p>The UK pension plan has a low net exposure to equities and UK interest rates. Longevity risk remains, but is uncorrelated to Man Group's other risks.</p> <p>Man Group has access to a revolving credit facility and maintains a liquidity surplus.</p>	<p>Seeding book risks increased in 2016 reflecting new funds added to the programme. The seed portfolio was not negatively affected by market volatility around Brexit.</p> <p>Asset reallocations by the UK pension plan trustees in 2015/2016 balanced the liabilities to UK gilt rates. The plan maintained a surplus throughout the year.</p>
<p>4. Operational risk</p> <p>Operational risk is defined as the risk resulting from inadequate or failed internal processes, people, systems, or from external events.</p> <p>Man Group continues to outsource a number of functions that were previously performed internally. The risk is that the outsourced service providers do not perform as required, resulting in knock-on implications for our business as a whole.</p> <p>Acquisitions into the Group introduce short-term integration risks</p>	<p>Risk and Control Self-Assessment (RCSA) is at the core of our assessment and management of operational risks. Key risk indicators and operational risk events are regularly reviewed.</p> <p>Man Group's operations team has implemented a methodology (including KPI monitoring) to confirm that outsourced service providers are delivering as required.</p> <p>Our Risk and Compliance teams independently review the businesses risk assessments (including integration risks) and the appropriateness of risk mitigation plans. Internal Audit evaluates the effectiveness of the Group's risk management, control and governance processes.</p>	<p>Previous acquisitions have been integrated into the Group's governance and operating model. An Aalto integration project is underway and will be a priority in 2017.</p> <p>The Group's assessment of operational risk remains stable.</p>

Risks	Mitigants	Status
5. Information security risk Technology and information security are central to Man Group's business. Information security risk is defined as the risk of loss resulting from cyber-crime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.	<p>We have deployed a number of preventative and detective controls to defend our IT systems against cyber-attack including regular staff training. In 2016 this included social engineering, safe web browsing, social media and physical security.</p> <p>However, the fast pace of innovation by cyber-criminals makes it particularly challenging to assess the effectiveness of our defences and deliver protection against this increasing threat.</p>	Cyber-crime attacks are growing in terms of scale and complexity as hackers continuously seek to circumvent software improvements.
6. Discretionary trading risk The risk that investment managers either intentionally or unintentionally fail to execute and/or book trades correctly, or fail to adhere to investment mandates or regulatory rules. This includes insider dealing and market abuse, misrepresenting trading positions/trades and misallocation between funds. Man Group may need to compensate for any losses arising from such trades, as well as face the possibility of fines, lawsuits and reputational damage.	<p>Our operating model enforces strict segregation of duties. Preventative and detective controls operated by the Group's Compliance, Operations and Risk teams are in place.</p> <p>Front office systems provide automated checks and controls at portfolio and trade level. Each investment management business has dedicated risk management personnel who monitor portfolio profiles and provide independent challenge.</p> <p>In addition all investment managers are subject to thorough pre-employment checks and are required to undertake regular mandatory training.</p>	This risk is inherent to active asset management and we see no change to this risk currently.
7. Credit/counterparty risk The risk that a counterparty with which the funds or Man Group have financial transactions becomes distressed. Shareholders and investors in Man funds and products are exposed to credit risk of prime brokers, clearing houses, depository banks and guarantee providers. Man Group also provides loans to guaranteed products, and so is subject to counterparty risk to certain investor funds.	<p>Man Group diversifies its deposits across a number of the strongest financial counterparties, each of which is approved and regularly reviewed for creditworthiness by the Counterparty Monitoring Committee (CMC). The CMC also oversees contingency planning ahead of significant market or political events.</p> <p>The Group Risk function monitors the credit spreads and ratings of the approved counterparties on a daily basis.</p> <p>Guaranteed products are closely monitored, and leverage is actively adjusted such that the risk of default on balance sheet loans to funds is small.</p>	<p>Increased regulatory scrutiny and capital requirements for investment banks has improved the overall stability of Man's counterparties. Individual names had periods of heightened concern and these were monitored by the CMC.</p>
8. Legal risk The global nature of Man Group's business, the expansion of its investment businesses and the acquisition of new investment businesses, with corporate and fund entities located in multiple jurisdictions and a diverse investor base makes it subject to a wide range of laws and regulations. Failure to comply with these laws and regulations may put Man Group at risk of fines, lawsuits or reputational damage. In response to the financial crisis, an unprecedented number of new laws have arisen which are applicable to Man Group. While the legislative response has been global, implementation is local which leads to variations of approach between key jurisdictions.	<p>Man Group operates a global legal framework which underpins all aspects of its business and is resourced by experienced legal teams. These teams are physically located in Man Group's key trading jurisdictions helping them to understand the context and impact of any legal requirements.</p> <p>Emphasis is placed on proactively analysing new legal developments to assess likely impacts and mitigate risks.</p>	<p>The breadth of the Group's offering together with the international nature of our business means that new complex and extensive regulations (e.g. MiFID II) are likely to create challenges for the Group's legal team.</p> <p>Management is confident that the breadth and depth of the team's expertise means that the overall legal risk profile remains stable.</p>
9. Reputational risk The risk that an incident or negative publicity undermines our reputation as a leading alternative investment manager. Reputational damage could result in significant redemptions from our funds, and could lead to issues with external financing, credit ratings and relations with our outsourcing providers.	<p>Our reputation is dependent on both our operational and fund performance. Our governance and control structure helps mitigate operational concerns, and our attention to people and investment processes are designed to comply with accepted standards of investment management practice.</p>	<p>Man continues to enjoy a good reputation and this risk is assessed as stable.</p>
10. Key staff retention risk The risk that a key person to the business leaves or is unable to perform their role. Retention risk increases in years of poor performance.	<p>Business and investment processes are designed with a view to minimise the impact of losing any key individuals.</p> <p>Succession plans and deferred compensation schemes are in place to support the retention of senior investment professionals and key management.</p>	<p>In 2016, our CEO, Manny Roman decided to step down. Luke Ellis, previously President of the Group was appointed CEO. Other key roles were also filled by internal successors.</p> <p>Man Group has continued to be able to attract and retain an array of talented individuals across the Group. Voluntary staff turnover remains low.</p>

People and corporate responsibility

People

At Man Group, we believe in the importance of a meritocratic workplace, where success is based upon talent, commitment, diligence and teamwork. By celebrating diversity, we encourage original and collaborative thinking, helping us deliver the best solutions for our clients. We seek to attract and retain the best people, and to ensure everyone at Man Group has the opportunity to reach their full potential.

EMPLOYEES

1,257

as at 31 December 2016

VOLUNTARY EMPLOYEE TURNOVER

8.6%

in 2016

A high calibre, motivated workforce is a critical component for any business which is looking to achieve superior performance. Our culture encourages collaboration and teamwork across teams, departments and geographies offering our employees the opportunity to work in a firm which gives them career opportunities within an engaging and enjoyable work environment.

Talent

Our focus on hiring, developing and retaining talent at entry level is evident. Our two year investment management and sales graduate programme and structured summer internship programme, launched in 2014, attracted record numbers of applications this year. In 2016, six new graduate trainees joined us, four of whom secured graduate offers having previously completed summer internships with us. We also saw our first intake of graduates complete their two year programmes and move into roles within the business. The summer internship programme continues to be a good source of talent for the graduate programme (60% conversion rate in 2016), and we continue to invest in our intern recruitment with our next cohort coming on board in summer 2017.

Activities targeting retention include annual performance evaluation and succession planning processes, alongside a focus on career development and support for internal transfers. Whilst the annual review is a valuable opportunity for giving and receiving feedback on performance and career development, our ongoing succession planning process facilitates the identification of key talent throughout the business and mitigates continuity risk.

The reorganisation of senior responsibilities following the departure of our previous CEO was entirely managed without the need to hire externally. Significant internal promotions during 2016 included Steven Desmyter becoming Co-Head of Sales, Giuliana Bordigoni heading up AHL's Fixed Income team, and Pierre-Henri Flamand becoming CIO of GLG. We were also pleased to see voluntary turnover remained at a relatively low level.

In 2016, we announced the planned acquisition of Aalto, a real estate investment manager as part of our expansion into private markets. As well as diversifying our client offering, this new area enables us to onboard new talent within the UK, Switzerland and US.

Whilst striving to develop and progress talent from within the existing business, external recruitment has also remained active. Key hires during 2016 included Stuart Webster as Head of Core and Core Plus Real Estate, Maggie Gresio who joined our Global Sales and Marketing team as Managing Director, Juan Parra who manages Centre Book within GLG's European and Global Long-Short Strategies, and Fabian Blohm who was hired as Man GLG's Head of Quantitative Analytics. Outside of investment management, Cyril Reol joined as Chief Technology Officer and Michael Kasper was hired as Head of Corporate Development and Group Treasurer.

Since 2013, in a commitment to tackle youth unemployment in London, we have offered apprenticeships through a partnership with City Gateway (our apprentice provider). We currently have our third cohort on board, working in Operations, Technology and Compliance. Our apprentices undertake a structured programme combining work and study, and are fully supported by supervisors, assigned buddies and human resources. They have also had exposure to Man's business leaders as they all had the opportunity to spend time with our CEO, President and Chairman. The programme gives the apprentices wide-ranging and valuable experience which will help them build their careers and offers us the opportunity to hire keen and committed junior employees from a different talent pool. We hope to continue building our relationship with City Gateway and will look to take on our fourth cohort of apprentices in 2017.

INTERNAL TRANSFERS

78

in 2016



PEOPLE BY FUNCTION (%)

	Investment management	Sales and Marketing	Product and Client Operations and Technology	Central management and support
December 2013	30	18	33	19
December 2014	31	17	33	19
December 2015	33	15	31	21
December 2016	32	15	32	21

- Investment management
- Sales and Marketing
- Product and Client Operations and Technology
- Central management and support

Note:
Job function based on business unit, not individual role

Headcount

Organic growth within the business means Group headcount, including contractors and consultants, has increased from 1,230 at 31 December 2015 to 1,257 at 31 December 2016. The ratio of support function employees to front office remains approximately one to one, which we believe to be in line with industry best practice.

Remuneration and benefits

Our remuneration policies and practices are designed to enable us to remain competitive in the increasingly global markets in which we operate. Remuneration packages include combinations of salary, annual performance bonus and deferred share/fund awards, along with other non-cash benefits. The bonus deferral arrangement is a key mechanism for focusing employees on Man Group's long-term performance.

Benefits packages are benchmarked annually to ensure we remain competitive and aligned with the market. During 2016 we again offered our UK-based employees the opportunity to participate in the Man Group Sharesave Scheme at the maximum limit and discount allowed by HMRC.

Equality and diversity

Man Group's culture is based on mutual respect for others and discrimination by any individual on the grounds of age, disability, gender, race, religion, sexual orientation or educational background is not tolerated. We offer tangible support through our employee assistance programmes, which are designed to assist individuals with aspects of their lives outside the workplace which may affect their ability to perform.

Full and fair consideration is given by Man to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Man Group's Global Inclusion Policy outlines our commitment to ensuring a diverse workforce and our opposition to discrimination of any form, including on the basis of disability. The Company ensures that disabled persons are fairly treated in respect of training and career development. For those who become disabled during their employment, reasonable adjustments are made and ongoing support is provided as required to enable the individual to continue working.

Achieving a better balance between male and female employees across the business and particularly at a senior level, is a challenge many financial services organisations face and it continues to be a key priority for Man Group. We remain committed to promoting gender diversity at all levels, and we currently have three women who sit on the Executive Committee (as shown in the table on page 43), and who have received accolades and recognition for being top performers in their fields.

People and corporate responsibility continued

STAFF BY GENDER (%)

Total workforce	71	29
Senior managers	84	16
Board of directors	90	10

■ Male
■ Female

We also currently have several initiatives in place to support and encourage our female talent. Man Group continues to develop DRIVE as an internal support network, with a programme of regular events to inform and support women within the Group, as well as providing networking opportunities both internally and externally. Alongside this initiative, Man Group has also developed and piloted a mentoring programme for high potential employees to develop and retain female talent. Man's pilot returner programme started in 2015 and targeted individuals who had taken a career break and subsequently wished to return to the workforce. We were pleased to take on two senior females for returner placements during 2016, and that one has secured a permanent role with the firm. The returner programme offers a level of flexibility in terms of working hours, and we are starting to see an increase in flexible working more generally around the business – a positive step to support the large proportion of our workforce who have children or other caring responsibilities. Following the success of the pilot programme, we intend to run further returner programmes during 2017.

Man Group is committed to increasing female participation in its graduate programme, and we are delighted to see progress in this area with female graduates in our 2016 and 2017 intakes. Furthermore, we have continued to sponsor the European Girls' Mathematical Olympiad as part of our effort to support and encourage female talent in the potential pipeline for financial services careers. To support our focus on ensuring female talent sees technology as a potential career path, we offered a technology work experience programme for year 10 girls during 2016 which was well received. The girls were encouraged to continue developing their technology skills and the programme gave them an insight into how they could use technology in their future careers.

During 2016, Man continued to build its relationship with Sponsors for Educational Opportunity London (SEO) to help us source talent from more diverse backgrounds. SEO prepares talented students from ethnic minority or low socioeconomic backgrounds for career success. We hosted an onsite masterclass for 20 SEO candidates and we have been pleased to see increased diversity in our graduate and intern applications as a result of these collaborative efforts.

Man Group strongly believes in the benefits of a diverse and multi-cultural workforce and is confident that the current multifaceted approach will enable the firm to progress its diversity agenda.





NATIONALITIES WORKING AT MAN

54

as at 31 December 2016

Development, engagement and support

In order to maximise the potential of our employees, we work with all areas of the business to support training and development needs. This covers a wide range of initiatives including technical courses, team development and individual executive coaching. A new mentoring programme was introduced in Operations and Technology during 2016 which has resulted in 21 pairings to date, and "Work Smart", our bite size soft skills training offering has continued to be popular, with 12 modules delivered during the year and over 170 attendees.

360° review processes are increasingly being used to gather feedback, enabling individuals to receive comments from a number of sources which supports their development. In addition, we run a number of in-house educational events such as Business Education sessions and informal breakfast discussions hosted by members of the Executive Committee.

Employees receive regular updates and presentations on Group results and major decisions which affect them through face to face meetings or, if necessary, via video link. The Man intranet is used to provide supplementary updates from senior management on all aspects of our business and is a crucial part of the dissemination of knowledge and information.

Our Global Mobility Programme enables us to meet specific business needs within given markets or business areas, and to offer international placements/transfers to our staff. This assists with attracting, retaining and developing our people whilst simultaneously strengthening our global footprint, creating a diverse talent pool with broader experiences and enhancing collaboration across the firm.

Slavery and human trafficking

Man Group is committed to ensuring that modern slavery does not exist within our supply chains or any part of our business. Man Group has a zero tolerance approach to slavery and human trafficking and we expect all those in our supply chain to comply with those values. Man Group will not support or deal with any business knowingly involved in slavery or human trafficking.

Please refer to our website, www.man.com, for our full Modern Slavery Transparency Statement.

Man Group Executive Committee

Luke Ellis	Chief Executive Officer, Man Group
Eric Burl	Head of Man Americas
Steven Desmyter	Head of Sales & Marketing, EMEA (from 26 July 2016)*
Mike Even	Chairman, Numeric
Pierre-Henri Flamand	Chief Investment Officer, GLG
Rob Furdak	Co-Chief Investment Officer, Numeric (from 1 December 2016)*
Geoff Galbraith	Chief Operating Officer, Man Group
Nick Granger	Co-Head of Research and Deputy Chief Investment Officer, AHL
Robyn Grew	Chief Administrative Officer, Man Group
Keith Haydon	Chief Investment Officer, FRM
Teun Johnston	Chief Executive Officer, GLG
Mark Jones	Chief Financial Officer
Michelle McCloskey	President, FRM
Shanta Puchtler	President and Chief Executive Officer, Numeric
Sandy Rattray	Chief Investment Officer and Man Group Chief Executive Officer, AHL
Cyril Reol	Chief Technology Officer (from 1 September 2016)*
Matthew Sargaison	Chief Investment Officer, AHL
Kate Squire	Global Head, Compliance & Regulatory (from 1 September 2016)*
Jonathan Sorrell	President
Tim Wong	Chairman, AHL and Chairman, Man Asia

* Joined the executive committee from this date

Man Charitable Trust

2016 has been a year of change; politically, economically and for the Man Charitable Trust. Our experience is that smaller charities tend to be particularly impacted by public sector spending cuts, with a corresponding effect on some of the most vulnerable in society.



Registered charity no: 275386

In 2016, the Man Charitable Trust continued to focus its grant-making activity on charities that are able to demonstrate an improvement in literacy and numeracy skills in the UK, whilst more broadly raising education attainment. This focus was further refined to support individual charities promoting literacy and numeracy, rather than schools and universities, which have been supported in the past. Literacy and numeracy skills are acknowledged as not only having an impact on individuals' health and happiness, but also having a significant impact on the economic competitiveness and sustainability of UK. Approximately 17 million adults in the UK are working at Entry Level 3 or below in numeracy – the skills expected of an 11 year old. Literacy levels tell a similar story; in some of the poorest areas of the UK up to 35% of the adult population lack the literacy skills expected of an 11 year old.

This year, the Trust's structure transitioned to a new model, whereby it is administered by the Trustees with the support of other departments within Man Group. Teun Johnston, Man GLG's CEO, became Chair of the Trustees, with Antoine Forterre, Man AHL's COO, and Keith Haydon, Man FRM's CIO, also joining as Trustees. In 2017, the Trust intends to continue to provide support to charities that are able to evidence their ability to improve literacy and numeracy outcomes.

The Trust spent \$592,219 in charitable donations and employee engagement programmes over 2016. In the UK, the projects supported by the Trust benefitted thousands of vulnerable children, young people and adults living in disadvantaged neighbourhoods, providing them with the essential skills they need to succeed in life and make a positive contribution to society.

Our supported charities also gained from the time and effort given by Man Group employees through our ManKind community volunteering programme. The ManKind programme enables UK employees to take two additional days paid leave per annum to volunteer with charities supported by the Man Charitable Trust or with a charity of their choice. The positive social benefits that stem from employees' skills, experience and knowledge can make a real difference to local communities. Volunteering also provides a highly cost-effective and valuable method of achieving positive learning and development benefits for our employees

and we are delighted that once again a good proportion of Man employees volunteered their time, experience and skills during the past year.

Man volunteers provided support to those in need in the local community, undertaking a range of activities including guiding students through financial literacy programmes and weekly reading sessions for primary school children and sorting and packaging food at a local foodbank. A team of employee volunteers supporting a local foodbank collected over one tonne of food in a Christmas collection for one of the poorest boroughs in London.

We would like to express our thanks to all the Man employees who supported our charitable programmes during the year and to those who donated via their Give as You Earn accounts. Additionally, we congratulate those who independently fundraised for charities of their choice and whose donations were proudly matched by the Man Charitable Trust up to the value of £1,000. Sponsorship matching totalled £15,691 for 2016.

Featured grants

The Man Charitable Trust awards grants to charities that work towards raising the levels of literacy and numeracy in the UK. Examples of Grants awarded in 2016 include:

Mayor's Fund for London

The Mayor's Fund for London is a social mobility charity which seeks to empower young Londoners from disadvantaged backgrounds to acquire the skills and opportunities they need to secure employment and escape the threat of poverty.

The Trust's donation has gone towards funding the Count on Us Parental Engagement project, which focuses on improving maths attainment, particularly for children from disadvantaged backgrounds. The project engages disadvantaged families in the mathematical learning of their children by delivering a range of interventions in London primary schools. The results of the programme include significant improvements in children's concentration levels during maths lessons and better than expected assessment results among many of the pupils, as well as 88% of participating children saying their maths confidence had improved.

Discover Children's Story Centre

Discover Children's Story Centre is an interactive literature venue for children aged 0–11, families and teachers based in Stratford. The Centre promotes literacy through an extensive community education programme targeting vulnerable and disadvantaged children. This work focuses on developing literacy, oracy and listening through stories and children's literature.

The Trust's donation will support the Catching Words project, a literacy-focused intervention programme delivered in a range of schools. Catching Words focuses on reading, writing, speaking and listening to raise children's aspirations, confidence, attitude and attainment in literacy. The programme engages professional writers, storytellers and poets, who work with children over a nine week period.

National Literacy Trust

The National Literacy Trust is the UK's largest independent literacy charity, working to ensure that disadvantaged children in the UK have the literacy skills needed for education and to lead a successful life.

The Trust's donation will assist funding a pilot programme called London Loves Libraries, which focuses on improving school library provisions and training school teaching assistants to become effective library coordinators.

Vision for Literacy Business Pledge

The Man Group is also a signatory of the Vision for Literacy Business Pledge 2017, having also signed the 2016 Pledge. The Vision for Literacy Business Pledge galvanises the business sector behind the literacy challenge, with signatories committing to taking practical action that will deliver tangible benefits in helping to raise UK literacy levels. Signing the Pledge once again demonstrates our commitment to tackling the literacy challenge by taking action within the workforce, the local community and at national level.

For more case studies visit www.man.com

Man Group's literary sponsorships

© Janie Airey

Man Group sponsors two major literary prizes – the Man Booker Prize and the Man Booker International Prize. The symmetrical relationship between the Prizes ensures that the 'Man Booker' can honour fiction on a global basis.



Man Group has sponsored the Man Booker Prize, which aims to promote excellence in fiction, since 2002. As the leading literary award in the English-speaking world, the prize has brought recognition, reward and readership to outstanding fiction since 1969.

54-year-old New York resident Paul Beatty won the 2016 Man Booker Prize with his novel *The Sellout*. Born in Los Angeles, Beatty is the first American to win the prize in its 48-year history, following a change in the rules on eligibility. Originally open to writers from the British Commonwealth, the Republic of Ireland or Zimbabwe, from 2014 the prize has been open to writers of any nationality, writing originally in English and published in the UK.

The Sellout is a searing satire on race relations in contemporary America. At the start of the novel, African-American narrator 'Bonbon' is being tried in the Supreme Court for attempting to reinstitute slavery and segregation in the local high school. What follows is a retrospective of this whirlwind scheme, populated by cartoonish characters who serve to parody racial stereotypes.

Amanda Foreman, chair of the judges, said *The Sellout* "plunges into the heart of contemporary American society, with an absolutely savage wit" adding, "it both manages to slay every social taboo and politically correct nuance, every sacred cow; and while making us laugh also makes us wince, it is both funny and painful at the same time, and it is really a novel for our times."

Beatty was presented with the Prize by HRH The Duchess of Cornwall and Man Group's Chief Executive Officer, Luke Ellis, on 25 October 2016, at London's Guildhall.

Man Group also sponsors the Man Booker International Prize, which seeks to encourage the publishing and reading of quality fiction in translation. Previously awarded every two years for a body of work, from 2016 the Man Booker International Prize is awarded annually on the basis of a single book translated into English and published in the UK. All novels published in English in the UK are therefore now eligible for one or other of the Man Booker Prize or Man Booker International Prize.

The 2016 Man Booker International Prize was awarded to the novel *The Vegetarian*, written by Korean author Han Kang and translated by Deborah Smith. The three-part novel follows the story of Yeong-hye, a dutiful Korean wife who decides one day to become a vegetarian. This subversive act fractures her familial life and turns seemingly ordinary relationships into ones driven by violence, shame and desire.

Announcing the winner, chair of the judges Boyd Tonkin, described *The Vegetarian* as "an unforgettably powerful and original novel that richly deserves to win the Man Booker International Prize 2016." He added, "This compact, exquisite and disturbing book will linger long in the minds, and maybe the dreams, of its readers."

Sponsorship of the Man Booker prizes underscores Man Group's charitable focus on literacy and education as well as the firm's commitment to creativity and entrepreneurship. Together with the wider charitable activities of the Booker Prize Foundation, the prizes play a very important role in promoting literary excellence on a global scale that the firm is honoured to support.

Corporate Governance report

Introduction from the Chairman



“To grow our share of the huge global market for alternative investment, it is vital that Man continues to promote both the interests of its shareholders and also other stakeholders.”

Lord Livingston of Parkhead
Chairman

I am pleased to introduce Man's 2016 Corporate Governance report in my first year as Chairman. I very much appreciate the support I have received from everyone in the Company since becoming Chairman. I was attracted to Man by its growth potential, its financial strength and the calibre and innovative culture of its people, all of which I propose to support and foster through my leadership of the Board.

Delivering for stakeholders

To grow our share of the huge global market for alternative investment, it is vital that Man continues to promote both the interests of its shareholders and also other stakeholders. This means managing its funds for the long-term benefit of its clients, implementing sound compliance and governance structures in the overseas countries in which we operate and underpinning everything we do with a strong set of values. In overseeing the business, the Board must seek to ensure that this is organised in the best way to generate strong investment performance, encourage client retention and identify and manage risk. The Board must also remain alert to the views and expectations of our stakeholders. I have sought a number of introductory meetings with some of our key clients and major shareholders over the last few months and look forward to continuing our discussion of their needs and perspective on the business.

Improving what we do

As Chairman, I regularly spend time with the executive team, getting a better understanding of the issues they are facing, providing guidance where possible and considering ways in which the Board could further promote its success. As part of the continuing improvement of the Board's effectiveness, I have streamlined certain Board Committee memberships and delegations and introduced sharply focused strategy sessions into our regular meetings.

Our Board membership has been refreshed and diversified with the appointment of Dame Katharine (Kate) Barker and I will be continuing our search for new non-executive talent in the course of this year.

Senior Independent Director

Richard Berliand will be taking over from Phillip Colebatch as our Senior Independent Director following this year's AGM. I should like to thank Phillip, who will remain on the Board, for his service in this role and in particular for his guidance and advice to me in my transition to the Chairmanship. Richard is well placed to succeed him following his introduction to our shareholders through the extensive engagement he has led, as Remuneration Committee Chairman, on the application of our Directors' Remuneration policy.

Looking ahead

Details of the major areas of the Board's stewardship and governance actions during 2016 and early 2017, including its engagement with shareholders, are given in the Corporate Governance and Board Committee reports which follow. I look forward to the opportunity to meet some of our private shareholders at this year's AGM and to continuing my leadership of the Board for the benefit of shareholders, clients, employees and the broader societies within which Man operates.

Lord Livingston of Parkhead

Chairman

Statement of compliance

The Company has, throughout the year ended 31 December 2016, applied the principles of and complied with the provisions of the UK Corporate Governance Code except in relation to the following:

Setting the Chairman's remuneration

Provision D.2.2 of the Code requires that the Remuneration Committee (the 'Committee') should have delegated responsibility for setting the remuneration of all the executive directors and the Chairman.

In the first half of the year, the terms of reference of the Committee provided that it had the authority only to recommend, for approval by the Board, executive directors' remuneration. However, the terms of reference were amended in July 2016 to give the Committee authority to determine the annual compensation for the executive directors' without seeking approval from the Board.

The Remuneration Committee continues to have authority to recommend to the Board but not to approve, the remuneration of the Chairman. This is because the Board believes that, in order to provide transparency and allow the views of all the directors, executive and non-executive, to be taken into account, it is appropriate for all Board members to determine the Chairman's remuneration.

Other information

Certain additional information in relation to the Company's share capital, the powers of the directors and amendments to the Articles of Association that is required to be disclosed in the Corporate Governance report pursuant to DTR 7.2.6 may be found in the Directors' report on pages 90 to 91.

Board of Directors

Chairman



Lord Livingston of Parkhead
Chairman

Date of appointment

January 2016
Chairman: May 2016

Committee memberships

Remuneration Committee
Nomination Committee (Chair)

Background and career

Ian served as Minister of State for Trade and Investment from 2013 to 2015. Prior to this, he was Group Chief Executive Officer of BT Group Plc, having previously served as Chief Executive Officer of BT Retail and as Group Chief Financial Officer. Before joining BT, he was Chief Financial Officer of Dixons Group plc.

Areas of expertise

With almost two decades of board level FTSE 100 experience, Ian brings extensive knowledge and understanding of successfully growing a complex international business and navigating regulatory environments around the world. He has a strong track record of innovative leadership that is invaluable to the Board and executive team.

Current external roles

Ian is a serving member of the House of Lords. He is Deputy Chairman of Dixons Carphone plc (Chairman from 30 April 2017) and a non-executive director of Celtic plc and Belmond Ltd.

The Chairman's role

Leads the Board, sets its agenda and manages its business and meetings effectively.

Supports and constructively challenges the CEO, fosters effective relationships between executive and non-executive Board members, and creates a culture of open debate.

Ensures, with the support of the Nomination Committee, effective Board succession planning and leads the search for and appointment of new directors.

Ensures that the Company maintains effective communications with shareholders and that the Board understands the views of shareholders and other key stakeholders.

Executive Directors



Luke Ellis
Chief Executive Officer (CEO)

Date of appointment

September 2016

Committee memberships

None

Background and career

Prior to his appointment to the Board, Luke served as President of Man Group from 2012 with responsibility for the management of Man's investment businesses. Before this he was Head and CIO of Man's Multi-Manager Business and Non-Executive Chairman of GLG's Multi-Manager activities. Luke previously served as Managing Director of FRM from 1998 to 2008, prior to which he was Managing Director at JP Morgan in London.

Areas of expertise

Luke has a strong and varied investment management background and extensive knowledge of the Man Group having managed its four investment units as President.

Current external roles

Luke is a director of Hedge Fund Standards Board Limited, Greenhouse Sports Limited, Investhor Limited, and Victoria Wall Associates Limited.

The CEO's role

Leads the Executive Committee in developing business strategy, annual budgets and medium-term plans for Board approval and is responsible for delivering against them.

Reports to the Board on the performance of the business and keeps it advised on a continuing basis of any significant developments.

Develops an effective relationship with the Chairman and makes the best use of the knowledge and experience of non-executive Board members.

Develops, communicates and instils throughout the business a shared purpose, culture and set of business values.



Mark Jones
Chief Financial Officer (CFO)

Date of appointment

January 2017

Committee memberships

None

Background and career

Before joining the Board, Mark served as Co-CEO of Man GLG from 2013 and COO from 2010. Mark joined Man GLG in 2005 from strategy consulting firm McKinsey where he worked across a range of industries.

Areas of expertise

Mark has significant management, financial and operational experience gained through his previous roles at Man. This experience, together with his extensive industry knowledge, will support the development of the Company's strategy and offering to clients.

Current external roles

None

The CFO's role

Manages the allocation and maintenance of the Company's capital, funding and liquidity in accordance with regulatory requirements.

Responsible for the preparation and integrity of the Company's financial information and its regulatory reporting.

Manages the Company's exposures within the Board's Risk Appetite Statement and its capital buffer.

Builds relationships with shareholders, banks and counterparties, rating agencies, regulators and the external auditor.



Jonathan Sorrell
President

Date of appointment

June 2012
CFO: June 2012 – December 2016
Co-President: June 2016
President: September 2016

Committee memberships

None

Background and career

Jonathan joined Man in August 2011 as Head of Strategy and Corporate Finance. He was CFO from June 2012 to December 2016 and was appointed Co-President in June 2016 and President in September 2016. Prior to joining Man, Jonathan spent 13 years at Goldman Sachs, where he worked in the Investment Management, Securities and Investment Banking Divisions, latterly leading investments in a broad range of alternative asset management firms.

Areas of expertise

Jonathan's experience of financial markets, particularly his extensive knowledge of the alternative fund management industry and strong background in strategy and execution, has supported the development of Man's business, including M&A activity that has strengthened the Group's footprint in the US.

Current external roles

Jonathan is a non-executive director of Nephila Holdings Limited, representing Man's interest as a minority shareholder.

The President's role

Leads and oversees the Group's Sales & Marketing capability globally.

Leads and oversees Man Global Private Markets and Man FRM.

Responsible for the development of the Group's corporate strategy, including merger and acquisition activity.

Corporate Governance report continued

Senior Independent Director and Board Committee Chairs



Phillip Colebatch
Senior Independent Director (SID)

Date of appointment
September 2007
Chairman of the Remuneration Committee: 2008–2016
SID: August 2013

Committee memberships
Audit & Risk Committee
Remuneration Committee
Nomination Committee

Background and career
Before joining the Board, Phillip was a member of the Executive Board of Credit Suisse Group, first as CFO and then as CEO of Credit Suisse Asset Management. Phillip was subsequently a member of the Executive Board of Swiss Reinsurance Company.

Areas of expertise
Phillip has extensive strategic, financial, operational and markets experience gained through his various senior positions in global financial institutions.

Current external roles
Phillip is a non-executive director of Lendlease Corporation and is on the Boards of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.



Matthew Lester
Independent non-executive director and Audit & Risk Committee Chair

Date of appointment
May 2011
Chairman of the Audit & Risk Committee: November 2011

Committee memberships
Audit & Risk Committee (Chair)
Nomination Committee

Background and career
Matthew is currently CFO of Royal Mail plc. He was Group Finance Director of ICAP from 2006 to 2010 and prior to that held a range of senior finance roles at Diageo, including Group Financial Controller and Group Treasurer.

Areas of expertise
Matthew has substantial financial management and regulatory expertise. He also has significant listed company experience acquired through his role at ICAP and through the flotation of Royal Mail plc on the London Stock Exchange. Matthew's experience allows him to provide substantial insight into the Group's financial reporting and risk management processes.

Current external roles
Matthew is currently CFO of Royal Mail plc and will be stepping down from this role in July 2017. He is a non-executive director of Capita plc and will become Chair of the Audit & Risk Committee in June 2017. Matthew is also a member of the Fixed Income Currency & Commodities Markets Standards Board's Advisory Council.



Richard Berliand
Independent non-executive director and Remuneration Committee Chair

Date of appointment
January 2016
Chairman of the Remuneration Committee: May 2016

Committee memberships
Remuneration Committee (Chair)
Nomination Committee

Background and career
Richard held a number of senior roles at JP Morgan over a 23 year career at the bank, including Global Head of Prime Services, Global Head of Cash Equities and Chairman of JP Morgan's Market Structure practice.

Areas of expertise
Richard has a wealth of experience in the financial services sector gained through a number of senior executive roles. He also brings extensive experience from a diverse range of international non-executive positions, providing him with a valuable understanding of areas such as the current regulatory environment, risk management and technology.

Current external roles
Richard currently serves as Deputy Chairman of Deutsche Börse AG in Frankfurt, non-executive Director of Rothesay Life plc and Chairman of ITRS Global Holdings Limited in London. He is also a member of the CFTC Global Markets Advisory Committee in Washington D.C. His other non-executive directorships include Eurex Frankfurt AG and Eurex Zürich AG.

The role of the Independent Non-Executive Directors

Constructively challenge and contribute to strategy development.

Contribute to the determination of risk appetite and to the identification of risks.

Monitor and challenge the effectiveness of the internal control and risk management framework.

Scrutinise and challenge management performance in meeting business goals and objectives.

Provide governance through membership of the Board Committees.

Review and challenge, prior to publication, the Company's financial statements and announcements.

Review Board composition and skill set and oversee senior executive succession planning.

The SID's role

Provides a sounding board for the Chairman on all Board matters.

Acts as a focal point for communications with the non-executive directors should Board or business circumstances require this.

Leads the annual performance evaluation of the Chairman and provides feedback to him.

Available to shareholders if they have any concerns which contact through the normal channels has failed to resolve or is inappropriate.

Independent Non-Executive Directors



John Cryan

Independent non-executive director

Date of appointment

January 2015

Committee memberships

None

Background and career

John is CEO of Deutsche Bank AG. He previously held a number of senior roles at UBS AG over a career spanning more than 25 years with the banking group, during which time he served as Group CFO and Chairman and CEO of UBS AG EMEA. Following his time at UBS, John was president of Temasek International's European Operations.

Areas of expertise

John has extensive knowledge of international financial markets gained from experience at leading global financial institutions and brings significant knowledge of the regulatory environment in which Man Group operates.

Current external roles

John is CEO of Deutsche Bank AG.



Andrew Horton

Independent non-executive director

Date of appointment

August 2013

Committee memberships

Audit & Risk Committee

Background and career

Andrew has served on the Board of Beazley plc since 2003, first as Group Finance Director and since 2008 as CEO. Prior to his time at Beazley, Andrew held a number of financial positions within ING, NatWest and Lloyds Bank.

Areas of expertise

Andrew has over 25 years of broad financial services experience with significant exposure to operating at Board level. With his banking, financial markets and insurance background, Andrew is well placed to contribute to Man Group's strategic development, risk management and financial reporting. Andrew's international experience has also allowed him to provide valuable input to Man Group's increased international presence.

Current external roles

Andrew is CEO of Beazley plc.



Dev Sanyal

Independent non-executive director

Date of appointment

December 2013

Committee memberships

Audit & Risk Committee

Background and career

Dev has held a number of senior financial and line management positions with BP in a global career spanning 25 years. Dev is Chief Executive, Alternative Energy and Executive Vice President, Europe & Asia Regions at BP plc.

Areas of expertise

Dev has extensive knowledge of capital markets, asset and risk management, trading and foreign exchange gained from his role as BP Group Treasurer and Chairman of BP Investment Management Ltd. With broad international experience and wide ranging operational expertise in senior executive roles, he is able to contribute to the development and execution of Man Group's business strategy and global relationships.

Current external roles

Dev is Chief Executive, Alternative Energy and Executive Vice President, Europe & Asia Regions at BP plc. He is also a member of the Accenture Global Energy Board, a member of the Board of Advisors of The Fletcher School of Law and Diplomacy, Tufts University and Vice Chairman of the Centre for China in the World Economy at Tsinghua University.



Nina Shapiro

Independent non-executive director

Date of appointment

October 2011

Committee memberships

Remuneration Committee

Background and career

Nina held several senior management and operating roles at the World Bank and has led numerous investments in emerging markets. From 2000 to 2011, Nina was a member of the Management Group and was Vice President, Finance, and Treasurer of the International Finance Corporation (the World Bank's private sector arm). In that role, she managed IFC liquid asset investment and funding, and capital market development in emerging markets.

Areas of expertise

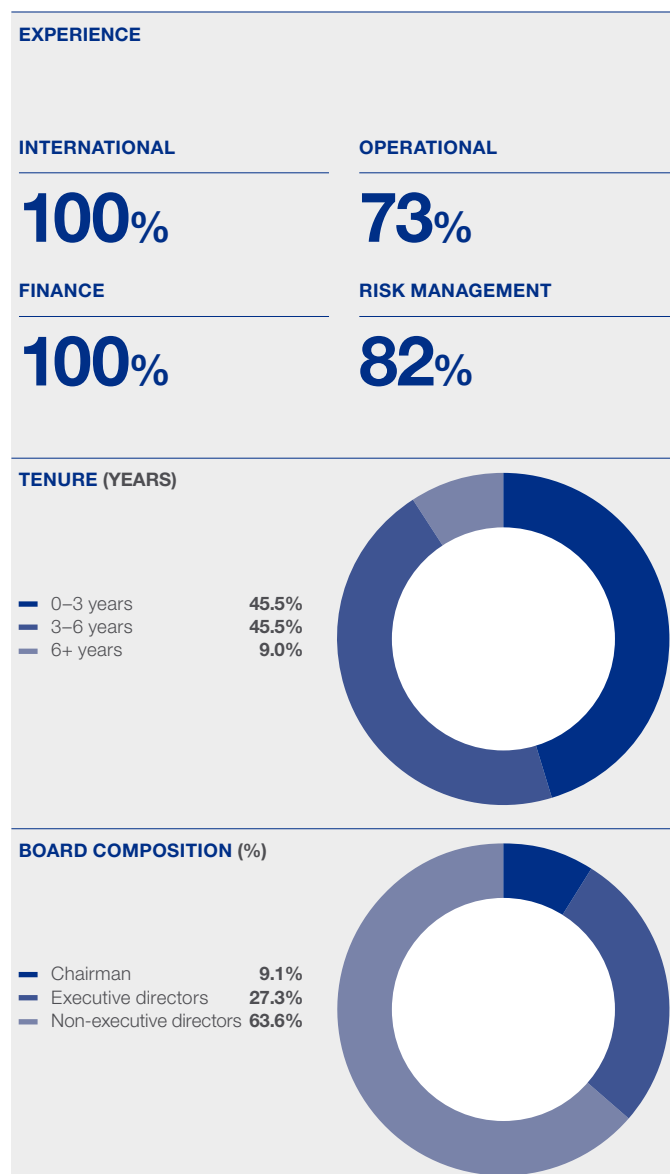
With extensive experience in international financial markets and in-depth knowledge of investment in emerging markets, Nina has particular insight into financial policy and market development. This perspective helps to support Man Group in its international expansion.

Current external roles

Nina is a director of Zyfin (an originator of ETFs for emerging markets), Mountain Partners (an accelerator for early technology ventures) and Identiv (a technology security company). She is also on the Advisory Boards of the New Silk Route PE Fund, the Carbon Trust (environmental group) and Mariner Infrastructure Investment Management.

Corporate Governance report continued

How the Board leads and supports the business



The right mix of skills and experience

The primary purpose of a Board is to help create and maintain the conditions which enable the Company's business to grow and succeed for the benefit of both shareholders and the wider stakeholder base. As the foundation for this, the Board requires a diverse and talented membership with a broad range of skills and experience drawn from a variety of business careers and the ability both to support and challenge the executive management. With the Man Board, I have inherited a very strong non-executive team, including four individuals who are serving in executive positions elsewhere, bringing financial, risk management and operational experience drawn from roles in investment banking, insurance, quoted multinationals and global financial institutions.

A good proportion of the membership has a tenure which affords them an in-depth understanding of the challenges and opportunities facing the business and allows them to contribute fully, both in formal meetings and outside, in discussions with the management team.

Strong working relationships

In their feedback to me on the workings of the Board as part of this year's evaluation, my non-executive colleagues praised the open attitude of the executive team and the members' willingness to respond to enquiry and debate. Following his appointment as CEO, Luke Ellis engaged the Board in discussions on the new organisation structure, proposed people changes, cost reduction and the balance between acquisitions and organic growth. The Board closely monitored the executives' pursuit of the acquisition of Aalto, exploring with them the challenges and risks attached to the business and assessing the due diligence findings. The non-executives' keen interest in furthering their understanding and contribution to the business is always well received and has led to a number of 'deep dive' strategy discussions with relevant management teams. These have explored issues such as the options for growing the GLG business and an in-depth review of the Sales strategy and planning process to align it with Man's transition to a more institutional business strongly focused on long-term client relationships. These sessions also provided an opportunity for the Board to get to know management below Board level better.

Independence

As noted above, our non-executives bring a robust scrutiny to their discussion of management proposals and each has a keenly independent outlook derived from their experience outside Man. All Board members are required to disclose any external positions or personal interests which may conflict with their directorship of Man prior to their appointment and to keep me updated on any new roles that they are contemplating so that any potential conflict can be properly assessed. The Board carefully analysed the regulatory and governance risks attached to the appointment of our former CEO, Manny Roman, as an independent director of Société Générale S.A. in light of his operational role and exposure at Man. After consultation with external counsel, the Board approved a set of procedures and requirements which needed to be observed by Manny in his interaction with both companies on an ongoing basis.

2016 Board meetings

	Attendance Record
Ian Livingston, Chairman from 6 May 2016	8/8
Jon Aisbitt, Chairman to 6 May 2016 ¹	3/3
Richard Berliand	8/8
Phillip Colebatch	8/8
John Cryan	8/8
Luke Ellis ²	3/3
Andrew Horton	8/8
Matthew Lester	8/8
Emmanuel Roman ³	5/5
Dev Sanyal	8/8
Nina Shapiro	8/8
Jonathan Sorrell	8/8

¹ Jon Aisbitt retired from the Board on 6 May 2016.

² Luke Ellis joined the Board on 1 September 2016.

³ Emmanuel Roman resigned from the Board on 31 August 2016.

Governance structure

To support and protect the growth of the business, the Board has established a clear governance structure as detailed below.

Key areas for Board decision

First, the Board has adopted a schedule of key areas relating to the purpose, strategy, resources and delivery of value by the Company which are for decision by the Board alone. The table on page 52 sets out these key areas and details of the Board's related work and decision making during the year. A full list of the matters reserved for Board decision is available on our website.

Board Committee structure

Second, the Board has delegated authority for its key governance functions to three main Committees with the responsibilities outlined below. Details of the activities and decisions taken by these Committees during the year are shown in the relevant Committee reports.

CEO, Executive Committee and delegated authorities

All other business decisions are the responsibility of the CEO who manages the business in line with the strategy agreed by the Board and is accountable to it.

The CEO is supported by the Executive Committee which is appointed by him to help implement strategy and manage operational and financial performance. The CEO and Executive Committee are accountable for all the risks assumed by the business and for maintaining appropriate risk management discipline across the Group. Details of Executive Committee membership are given on page 43.

The CEO has also established a Group Authorities framework adopted by all Group companies through which he delegates certain management decisions to specific individuals and management groups.

Board

Audit and Risk Committee

- Reviews the integrity of the Company's financial reports and statements prior to approval by the Board.
- Advises the Board on whether the annual and interim reports are fair, balanced and understandable.
- Reviews and reports to the Board on the effectiveness of Man's risk management and internal controls framework.
- Recommends to the Board the appointment of the external auditor and reviews the effectiveness and independence of the external auditor.
- Ensures that the tendering, selection and rotation of the external audit services contract are carried out in accordance with applicable law, regulation and best practice.
- Approves the Internal Audit plan and reviews the effectiveness of the Internal Audit function and management's response to their findings.

See pages 56 to 60 for the Audit & Risk Committee report

Remuneration Committee

- Determines and recommends to the Board for approval the principles and structure of the Company's executive remuneration policy.
- Approves the principles and the quantum of the Company's annual variable compensation pool and deferral policy.
- Approves the total annual compensation for individual executive directors including salary, variable cash and deferred bonus awards.
- Approves the total annual compensation for Executive Committee members and Remuneration Code staff.
- Recommends to the Board the total compensation of the Chairman.
- Determines the contractual termination terms for executive directors and any severance payments.
- Reviews feedback from shareholders on the Directors' Remuneration policy and oversees the Company's engagement on remuneration issues.

See pages 64 to 89 for the Directors' Remuneration report

Nomination Committee

- Keeps the Board's composition, skill and experience base under regular review in light of business changes.
- Considers the knowledge, experience and competencies required for a particular appointment.
- Conducts the search and selection process for new directors taking advice from independent search consultants as appropriate.
- Recommends to the Board preferred candidates for Board appointment.
- Reviews senior executive development and succession plans to ensure continuity of resource at, and just below, Board level.
- Reviews and recommends to the Board the renewal of non-executive director appointments.

See pages 61 to 63 for the Nomination Committee report

Full Committee terms of reference, which are approved by the Board, can be found on our website. Details of the work of the Committees during the year are given in the separate Committee reports.

Corporate Governance report continued


What the Board did in 2016 and early 2017

Regular meetings

The Board held eight main meetings during the year, including a one and a half day strategy review. At every meeting, the CEO discusses recent investment performance and the impact of current economic and industry trends on the business. The CFO reviews financial performance and forecasts against plan and analyst expectation. The Head of Investor Relations keeps the Board updated on shareholder sentiment and significant changes in the share register. The Head of Compliance and Regulatory alerts the Board to any emerging regulatory issues which impact the business. Other senior executives attend meetings as required to present and discuss proposals and progress in their individual businesses and functions. Specific areas of focus and major decisions taken by the Board during the year in line with its matters reserved mandate are given in the table below.

Non-executive discussion

In addition to scheduled Board meetings, a number of ad hoc meetings and Board calls were held to discuss and agree the executive director changes which occurred over the summer period. Further details of these discussions are given in the Nomination Committee report. Decision making on top management changes of this kind is significantly helped, when the need arises, by the ongoing discussion of executive resource and talent at informal non-executive director meetings and dinners which are held during the year. The CEO may join part of these meetings to share his views of current business or organisational issues and will then withdraw to allow non-executive colleagues the opportunity for private discussion.

	<p>Determining and reviewing strategy Annual strategy review</p> <p>Discussed Man's business shape and market positioning and agreed 5 year targets including:</p> <ul style="list-style-type: none"> – expansion and diversification of the AHL/Numeric quant business supported by research and innovation; – growing GLG's high alpha discretionary long only strategies; – developing more client focused solutions through market segmentation and deeper relationships; and – building a private markets business. <p>Topics reviewed at regular meetings</p> <ul style="list-style-type: none"> – Sales strategy and resource including US focus; and – GLG growth options and challenges. 		<p>Overseeing business performance</p> <ul style="list-style-type: none"> – Ongoing review of financial performance against plan and future projections – Regular challenge of investment performance, sales and redemption trends and margin pressure. – Acquisition tracking against business case and review of seeding book performance. – Focusing on management's delivery of organic growth through innovation and business improvement as well as growth by acquisition.
	<p>Approving acquisitions/disposals and new business developments Aalto acquisition</p> <ul style="list-style-type: none"> – review of strategic case as the foundation of a private markets business; – consideration of risk and due diligence findings; and – review of financial case and approval of deal terms and earn out structure. <p>Review of the 'acqui-hire' of the Bridge Lane direct lending business.</p>		<p>Approving capital structure, borrowings, annual budget and 3 year plan</p> <ul style="list-style-type: none"> – Reviewed regulatory capital, liquidity and surplus capital projections. – Approved \$100m share buyback programme. – Approved extension of maturity date and reduction in the size of the Revolving Credit Facility. – Challenged management's 2017 Budget and 2017-19 Medium-Term Plan assumptions, including the accuracy of forecasting, and approved final Budget and Plan figures.
	<p>Risk: appetite, assessment and monitoring</p> <ul style="list-style-type: none"> – Reviewed and approved an updated Risk Appetite and Governance Framework to include increased granularity of quantitative risk, new qualitative risk statements and a refresh of the red/amber/green risk management dashboard. – Assessment of principal risks, including top five external risks, and consideration of existing and potential mitigants. – Ongoing review of the Group's risk management systems and internal controls (see 'How the Board oversees risk and financial reporting' on page 53.) 		<p>Approving financial statements, dividends and Board appointments</p> <ul style="list-style-type: none"> – Approved 2016 interim and full year financial statements, 2016 interim dividend and recommended 2016 final dividend. – Approved the Company's viability statement and going concern disclosure for the year ended 31 December 2016. – Reviewed and approved the 2016 Annual Report to shareholders against the fair, balanced and understandable criteria. – Approved the appointment of Luke Ellis as CEO, Mark Jones as CFO and Kate Barker as a new non-executive director.

How the Board oversees risk and financial reporting

In accordance with the UK Corporate Governance Code, the Board is required to monitor the Company's risk management and internal control systems on an ongoing basis and, at least annually, carry out a review of their effectiveness and report on this review to shareholders. A summary of the Company's risk management and internal control systems, including those relating to the financial reporting process, is given below. Further details of the Company's ongoing process for identifying, assessing and managing the principal risks faced by the Company are contained in the Risk management section on pages 36 to 39, together with details of those principal risks and their related mitigants.

Board review of risk management and internal controls

The Company's risk management and internal control systems aim to safeguard assets, maintain proper accounting records and provide assurance that the financial information used in the business and published externally is robust and reliable. The systems are designed to manage key risks, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The systems, which have been in place throughout the year and up to the date of this Annual Report, comply with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Whilst the Board retains overall responsibility for the Group's risk management and internal control systems, it has delegated oversight to the Audit & Risk Committee ('ARCom') (as set out opposite).

Financial reporting controls

The Group's financial controls framework is designed to provide assurance that proper accounting records are adequately maintained and that financial information used within the business and for external publication is reliable and free from material misstatement, thereby safeguarding the Company's assets.

This framework is managed through a process whereby control owners certify that key preventative and detective controls have been performed and are operating effectively. These include balance sheet reconciliations and financial statement preparation processes. During the year senior management monitored the results of the certification process and a sample of the certifications was independently spot checked each month to provide assurance that they had been correctly certified. Any material points of note were escalated to the ARCom.

Regular risk reporting

The Board receives regular reports from the Chairman of the ARCom, business management and Group Risk on the risks to the achievement of the Group's operational and financial objectives, together with assurance that the level of risk retained is consistent with and being managed in accordance with the Board's risk appetite and with business planning. These reports include current and forward looking assessments of capital and liquidity adequacy and a summary 'risk dashboard'. During the year the Board also received and discussed a presentation from management summarising a range of external risks which could potentially impact Man Group's business performance.

The role of the Audit & Risk Committee ('ARCom')

To support its ongoing risk oversight responsibilities, during the year the ARCom has considered and discussed:

- summary dashboards for risk, internal controls, the financial controls framework and compliance at each of its meetings;
- presentations on the strategy and risk and control profile of some of the Group's key business areas (including GLG, FRM, AHL and Sales) and in-depth reviews of the Group's business functions (Compliance, Risk, Finance and IT & Operations) and their coverage of the Group's principal risks;
- changes to the Risk Governance and Appetite Framework and recommended it to the Board for approval;
- reports from the Risk & Finance Committee on the effectiveness of risk mitigation; and
- reports from Internal Audit on the operation and effectiveness of internal controls.

During the year, a number of operational and regulatory matters that had occurred were reported to the ARCom. A paper summarising these matters was considered by the ARCom at its December 2016 and February 2017 meetings. Whilst Man sought to improve its processes in response to the matters identified, they were not considered sufficiently material in number or nature either to require separate disclosure in the financial statements or to indicate that the control environment had not been working effectively.

The report from the Chairman of the ARCom on pages 56 to 60 provides further information on how the ARCom has discharged its risk oversight responsibilities during the year.

Specific annual review

In addition to its ongoing monitoring of the Group's risk management and internal controls, the Board has conducted a specific annual review of their effectiveness in respect of 2016 and up to the date of this Annual Report. This review included a robust assessment of the Group's principal risks and all significant operational risk events and Internal Audit findings raised during the period. The Board also considered the potential impact of certain risks identified by the business, the outcome of the firm-wide Risk and Control Self-Assessment process performed by business management and the quality of the controls in place to mitigate these risks. Following this review, the Board concluded that the Group's risk management processes were effective and that there were no significant weaknesses or failings in the system of internal controls.

Corporate Governance report continued

How the Board seeks to improve its effectiveness

Non-executive director induction

Our non-executive directors are offered a comprehensive and tailored induction programme to introduce them to the business and its industry and regulatory context. The programme is based on one-to-one meetings with the executive directors and Executive Committee members, the heads of Group functions and the Company Secretary covering the areas of business outlined below. Dame Kate Barker had an opportunity to get an understanding of the business in her interviews with Board members prior to her appointment and will be working through the detailed induction programme in the coming months. As a prospective Remuneration Committee member, she will also receive a briefing on current issues and developments in executive director remuneration and Man's own remuneration policies and positioning.

Executive director induction

Having joined Man in 2010 and worked alongside Manny Roman since 2012 as President of the firm, with responsibility for its four investment units, Luke Ellis was an ideal candidate to succeed Manny and required no familiarisation with the business. To support his broader role as CEO, he undertook a series of meetings with our major shareholders in addition to briefings with the Company's brokers and advisers.

Following his appointment as CFO designate in September and to support his 'hands-on' transition to the CFO role, Mark Jones, formerly Co-CEO of GLG, attended a professional development programme which introduced and explored the responsibilities of the CFO role and the challenges it presents.

Non-executive induction programme

Business review	Performance and market positioning	Regulatory environment	People, culture and values	Board procedures & governance framework
<ul style="list-style-type: none"> – Strategic direction and priorities – Business strategy and market analysis – Overview of AHL, GLG, FRM, Numeric and Global Private Markets – Global sales and marketing – Risk appetite, principal risks and risk management framework – Operations and technology 	<ul style="list-style-type: none"> – Review of financial and market performance – Recent analyst and media coverage – Budget and Medium Term Plan – Analysis of shareholder base and investor perception – Shareholder engagement 	<ul style="list-style-type: none"> – Overview of the Group's key compliance and regulatory policies – Recent changes in regulatory landscape and impact of upcoming regulatory developments – Hot topics and key priorities for regulators including relevant thematic reviews 	<ul style="list-style-type: none"> – Discussion of key business principles – Key people and succession plans – HR priorities including diversity, training and talent pipeline – HR structure and outsourcing arrangements 	<ul style="list-style-type: none"> – Board structure, processes and relationships – Board interaction with key business areas – Overview of listed company obligations, reporting and governance framework – Directors' duties and responsibilities

Continuing education and development

Requests by non-executive directors for further business education and exposure frequently arise in the course of Board discussion and specific updates are scheduled within regular Board meetings wherever possible. In addition to individual business strategy focused sessions such as those with the GLG and Sales teams, the Board received an update on the regulatory and operational impacts of MiFID II, including the change programmes and costs involved, and will be kept updated on progress. At the end of the year, in response to non-executives' continuing appetite for external third party views of Man, a pension fund consultant was invited to discuss with the Board his impressions of Man's product offering from the point of view of an institutional investor.

External programmes for non-executive directors on topical regulatory issues are regularly circulated by the Company Secretary to supplement the advice on current developments received from the Company's auditors, remuneration and other advisers. The Board received a presentation by the Company's legal advisers on the requirements of the Market Abuse Regulation, the changes in companies' obligations in respect of the handling of inside information and in the dealing restrictions on directors and closely associated persons.

2016 Board evaluation

For 2016, following the full external evaluation conducted in 2015 by IDDAS Limited, the Board decided to carry out an internal review of its effectiveness. A number of broad questions covering priorities agreed for Board focus in the previous evaluation and ongoing operational issues were discussed by me in individual meetings with my colleagues. These meetings, which took place in late Autumn 2016, also provided the opportunity for me to discuss with Board members their individual contributions and effectiveness. Separate evaluations were carried out on the operation of the Audit & Risk, Remuneration and Nomination Committees as set out in the respective Committee reports. Phillip Colebatch, as Senior Independent Director, reviewed with each Board member individually my contribution as Chairman in my first eight months in office and I am grateful for his feedback from those discussions.

The main findings from my conversations on the general effectiveness of the Board, which I reported at our December meeting, showed a fairly high degree of consistency. A summary of the key areas of progress and strengths identified, and proposals for focus and change in 2017, are set out on page 55.



Board strengths

Very positive view of the executive management change process and new team transition.

Sufficient opportunity to raise issues and an open and responsive management team.

General satisfaction with Board operation, support and materials presented.



Areas for development

Strong appetite for regular substantial 'deep-dive' business strategy reviews within Board meetings.

Strategy topics for review include:

- the further development and prospects of recent acquisitions;
- sector and market trends; and
- Man culture and people.

How the Board engages with the Company's shareholders

The Board is committed to proactive and constructive engagement with the Company's investors and, as a key priority identified in the 2016 Board evaluation, is keen to develop its understanding of shareholder views. The Head of Investor Relations regularly attends Board meetings to discuss and report on important changes in the share register and key areas of interest and enquiry. I update the Board on the outcome of my meetings with shareholders. Richard Berliand, as Chairman of the Remuneration Committee, gives regular reports on shareholder views on our remuneration policy and practice.

Institutional investors

The Head of Investor Relations, CEO and CFO maintain an ongoing dialogue with institutional investors on performance, plans and strategic objectives. This is achieved through a combination of one-to-one meetings throughout the year and participation in investor roadshows and investor conferences. Details of the 2016 investor events are provided opposite.

Key areas which the CEO and CFO have discussed with investors during the year have included:

- Investment performance across our range of strategies;
- Progress of recent acquisitions, particularly Numeric;
- Progress on growth in the US;
- Potential new acquisitions; and
- Capital management.

Following my appointment as Chairman in May 2016, I had several introductory meetings with a number of our major shareholders in order to understand their views and respond to any concerns. I intend to continue this engagement with our shareholders on an ongoing basis through one-to-one meetings and also obtaining regular feedback from brokers and advisers.

Richard Berliand has actively engaged with major shareholders and shareholder representative bodies since his appointment as Remuneration Committee Chairman in May last year. He has been keen to listen to their views on Man's executive remuneration structure and incentive limits and to get a sense of current trends in shareholder sentiment and expectation as a whole. Further details of this engagement are provided in the Directors' Remuneration report.



2016 Calendar of investor events

FEB	2015 year-end results released UK investor roadshow
MARCH	UK investor roadshow Morgan Stanley Annual European Financials conference
APRIL	Q1 2016 Trading Statement Dialogue with investors on AGM remuneration resolutions Shareholder engagement on 2015 Directors' Remuneration report
MAY	Annual General Meeting
JULY	2016 interim results released UK investor roadshow
AUG	UK investor roadshow
SEPT	Barclays Global Financial Services Conference (New York) Bank of America Merrill Lynch Annual Banking and Insurance Conference
OCT	Q3 2016 Trading Statement and announcement of Aalto acquisition and launch of Man Global Private Markets
NOV	JP Morgan 'Best of British' conference
NOV/DEC	Communications and meetings with shareholders and shareholder representative bodies on changes in the application of the Company's remuneration policy

Private investors

We have recently consulted with our shareholders to provide them with an opportunity to confirm how they wish to receive communications from the Company. We prefer to use our website for this purpose and encourage our shareholders to visit it to access the Company's Interim and Annual Reports and half-year and final results presentations. Other useful information such as historic dividend records is also available on the website. Shareholders can use the site to access our Registrars' Shareview website (www.shareview.co.uk) where their shareholding account can be managed online.

We are always keen to understand the views of and answer questions from private investors and offer a dedicated shareholder mailbox (shareholder@man.com) for this purpose.

Shareholder meetings

We welcome shareholders to our AGM in May each year. At every AGM, our shareholders are given an overview of the progress of the business and our future plans and outlook. This is followed by the opportunity for shareholders to ask questions about the resolutions before the meeting and about the business more generally. We look forward to meeting shareholders and providing a further business update at our 2017 AGM in May this year. If you are unable to attend the AGM, please send in any questions that you would have liked to raise at the meeting to our AGM mailbox (agm@man.com) and we will provide a direct reply.

Lord Livingston of Parkhead

Chairman

Audit & Risk Committee report



“The Audit & Risk Committee (the ‘Committee’) continues to be integral to Man Group’s governance framework. During the year the Committee maintained its focus on supporting the Board in its assessment of the integrity of the Group’s financial reporting, monitoring the effectiveness of the Group’s systems of risk management and internal controls, and overseeing the activities of the Group’s Internal Audit function and its external auditor.

In addition to its regular work, the Committee has also dedicated significant time to considering regulatory developments impacting the Group, developing its understanding of the oversight and governance arrangements that exist in respect of Man’s overseas offices and establishing whether there were any practices or operating models in these offices that impacted the risk profile of the firm.”

Matthew Lester
Chairman, Audit & Risk Committee

MEMBERSHIP

Chairman
Matthew Lester

Committee members
Phillip Colebatch
Andrew Horton
Dev Sanyal

ROLES AND RESPONSIBILITIES

The Committee’s roles and responsibilities are outlined on page 57. An explanation of how the Committee has discharged its responsibilities during the year is set out on pages 57 to 60.

Full terms of reference for the Committee, which are reviewed on an annual basis and referred to the Board for approval, are available on the Company’s website.

www.man.com/corporate-governance

Committee membership and meeting attendance

The members of the Committee as at 31 December 2016, together with their roles and meeting attendance during the year are set out below. The Committee as a whole has competence relevant to the sector in which the Group operates and I am considered to have recent and relevant financial experience for the purposes of the UK Corporate Governance Code (the ‘Code’). Further details of the Committee members’ experience and areas of expertise are provided on pages 48 to 49.

In order to encourage effective communication, the Board Chairman, CEO and CFO are invited to attend Committee meetings along with certain members of the senior management team, the Head of Internal Audit and representatives from Deloitte LLP (‘Deloitte’), the Group’s external auditor. There is an opportunity at the end of each meeting for the Committee to meet with the Head of Internal Audit and representatives from Deloitte in the absence of management. Both the Head of Internal Audit and Deloitte have direct access to me should they wish to raise any concerns outside formal Committee meetings.

Committee Member	Role	Meeting attendance
Matthew Lester	Chairman	6/6
Phillip Colebatch	Independent non-executive director	5/6 ¹
Andrew Horton	Independent non-executive director	6/6
Dev Sanyal	Independent non-executive director	6/6

1 Phillip Colebatch was not able to attend the Committee meeting in October 2016 which had to be rescheduled at relatively short notice to accommodate conflicting commitments of certain attendees. However, he received and reviewed the papers to be considered at the meeting and had the opportunity to direct any questions to the Chairman in advance of the meeting.

How the Committee operates

The Committee has established an annual forward agenda to cover the key events in the financial reporting cycle, specific risk matters identified by the Committee and standing items that the Committee is required to consider in accordance with its terms of reference. The annual agenda is supported by agenda setting meetings held in advance of each Committee meeting which I lead and are attended by members of the senior management team and the Head of Internal Audit, to identify key issues impacting the business that may require consideration by the Committee.

At each meeting, the Committee considers dashboards which highlight and monitor changes in the key risks impacting the business, compliance matters, the financial controls framework and internal controls. The dashboards are designed to enable the Committee to focus on any matters that may require further discussion. The Committee also receives reports and presentations on key financial reporting, risk, compliance and audit matters from management who attend Committee meetings to report on significant issues and respond to queries raised by the Committee. Following each Committee meeting, I update the Board on the key areas of discussion and make recommendations as appropriate.

“During the year the Committee maintained its focus on supporting the Board in its assessment of the integrity of the Group’s financial reporting.”

Matthew Lester
Chairman, Audit and Risk Committee

Roles and Responsibilities



Financial Reporting

- Monitor the integrity of the financial information contained in the interim and annual financial statements with particular focus on key accounting policies, estimates and judgements.
- Review the longer-term viability and going concern statements and recommend their approval to the Board.
- Advise the Board on whether the Committee believes the Interim and Annual Reports to be fair, balanced and understandable.



Risk Management, Internal Controls and Compliance

- Monitor and review the effectiveness of the Group's systems of risk management and internal controls (please refer to page 53 for further details).
- Ensure that a robust assessment of the principal risks facing the Group has been undertaken and advise the Board on the management and mitigation of these risks.
- Review the effectiveness of the Group's regulatory reporting activities, Compliance function and arrangements for staff to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- Report to the Remuneration Committee any findings in relation to risk matters which may impact its decision on discretionary remuneration payments.



Internal Audit

- Approve the annual Internal Audit Plan and Charter and Internal Audit activities.
- Review the effectiveness of the Internal Audit function.
- Review all significant Internal Audit recommendations and oversee progress in addressing these.



External Audit

- Recommend to the Board the appointment, and determine the remuneration of, the external auditor, including reviewing the external auditor's effectiveness and independence.
- Review and approve the external audit plan and the external auditor's control procedures.
- Review the findings of the external audit and the external auditor's management letter and oversee management action to address the findings where necessary.
- Approve and monitor the policies relating to the provision of non-audit services by the external auditor and the hiring of personnel from the external auditor.
- Ensure that the tendering, selection and rotation of the external audit services contract are carried out in accordance with applicable law, regulation and best practice.

How the Committee has discharged its roles and responsibilities during 2016 and early 2017

Financial reporting

Accounting judgements and significant accounting matters

As part of the process for monitoring the integrity of the financial information contained in the interim and annual financial statements, the Committee reviewed the key accounting judgements and policies adopted by management and confirmed that these were appropriate. The significant areas of judgement identified by the Committee, in conjunction with management and the external auditor, together with a number of other areas that the Committee deemed to be significant in the context of the financial statements are set out in the table on page 58.

Viability and going concern

The Committee considered the requirements contained in the Code regarding the Company's viability statement including the proposed three-year assessment period in line with the Group's business planning horizon and the processes supporting the viability assessment. After significant discussion, and having considered the Group's forecast regulatory capital surplus, liquidity resources and requirements, the Committee concluded that the three-year assessment period continued to be appropriate and recommended the draft viability statement (as set out on page 37) to the Board for approval.

The Committee also reviewed the going concern disclosure (which is set out on page 104) and concluded that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the Group's financial statements to be prepared on a going concern basis.

Fair, balanced and understandable assessment

At the request of the Board, the Committee considered whether the Interim and Annual Reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee reviewed the interim and annual financial statements in conjunction with the narrative sections of the reports to ensure that there was consistency in the information reported, that appropriate weight had been given to both positive and negative aspects of business performance and that key messages had been presented coherently. The Committee concluded that, taken as a whole, the Interim and Annual Reports were fair, balanced and understandable.

Communications with the Financial Reporting Council (FRC)

In November, the Company received a letter from the FRC which raised a number of questions around certain aspects of Man Group plc's financial statements for the year ended 31 December 2015. The letter focused on contingent consideration payments in relation to the Numeric, Silvermine and NewSmith acquisitions and the accounting treatment of Reservoir Trust assets. The Committee noted management's response to the letter which I, together with the Board Chairman and Deloitte, reviewed. We await confirmation that the FRC have no further questions on the approach that was adopted.

Audit & Risk Committee report continued





Judgemental areas and accounting estimates

Matter considered	Action	Outcome
<p>Impairment assessment of goodwill and acquired intangibles</p> <p>Goodwill and acquired intangibles for each of the Group's cash generating units (AHL, GLG, FRM and Numeric) are tested for impairment at least annually through the application of a 'value in use' model. This is judgemental in nature as it requires estimates concerning future cash flows, growth rates and associated discount rates to be taken into account.</p> <p>Please refer to Note 11 to the Group financial statements</p>	<p>The Committee considered reports from management outlining the methodology for the impairment assessment and challenged the assumptions underpinning the goodwill valuation model including discount rates, the change in cost allocation methodology, flow projections and headroom availability. As a result of an adjustment to the 2017 budget assumptions and the consequential change in forecast performance and net flows, management proposed that the GLG and FRM goodwill and acquired intangibles be impaired by \$281m and \$98m respectively.</p>	<p>After extensive debate and challenge, the Committee confirmed that the proposed GLG and FRM goodwill and acquired intangibles impairment was appropriate for the year ended 31 December 2016. Accordingly, an impairment charge of \$379m has been recorded as an adjusting item in the income statement.</p>
<p>Fair value of contingent consideration</p> <p>The valuation of the contingent consideration is dependent on estimates concerning the projected future growth rates and cash flows based upon management's view of future business prospects and associated discount rates.</p> <p>Please refer to Notes 16 and 26 to the Group financial statements for further details.</p>	<p>The Committee considered management's fair value assessment of the contingent consideration creditors of the Numeric, FRM, Pine Grove, Silvermine, NewSmith and BAML earn-outs which projected an overall decrease in the fair value of the contingent consideration of \$40m, primarily attributable to Numeric as a result of changes in the assumptions used in the Board approved Budget and Medium Term Plan.</p>	<p>After a full discussion, the Committee confirmed that it was comfortable that the decrease in the fair value of the contingent consideration was appropriate. A fair value adjustment of \$40m has been recognised as an adjusting item credit in the income statement.</p>
<p>Deferred tax assets (DTA)</p> <p>The Group has unrecognised deferred tax assets in the US which largely represent historical tax losses and future deductions for amortisation of goodwill and other intangible assets that will reduce the tax payable in the US. The value of the DTA recognised requires judgement regarding the assessment of 'probable' profits.</p> <p>Please refer to Note 8 to the Group financial statements for further details.</p>	<p>The Committee discussed the existing methodology underpinning the valuation of the DTA which uses a three-year period to forecast profits. The Committee also challenged management's assessment that this methodology continues to remain appropriate and represents their best estimate of probable future taxable profits.</p>	<p>The Committee confirmed that it was satisfied that a three-year period was the most appropriate basis upon which to forecast profits in accordance with the Group's business planning horizon and that the existing methodology continued to be appropriate. A movement in the DTA of \$6m has been recognised as an adjusting item in the income statement.</p>
<p>Consolidation of investment in funds</p> <p>The Group holds seeding investments in a number of funds which it manages. Judgement is required to be exercised in terms of assessing whether these investments are controlled by the Group and therefore need to be consolidated into the Group's balance sheet.</p> <p>Please refer to Note 14 to the Group financial statements for further details.</p>	<p>The Committee reviewed management's assessment of the investments which the Group is deemed to control in accordance with IFRS 10.</p>	<p>The Committee concluded that it was satisfied with management's assessment of the entities which are deemed to be controlled by the Group and the associated accounting treatment. Five funds have been classified as 'held for sale' and six investments have been consolidated on a line by line basis with a grossing up impact on the balance sheet of \$242m.</p>
<p>Adjusting items</p> <p>The directors focus on profit before adjusting items (adjusted profit) as this reflects the underlying trends in the business and the recurring revenue and costs that drive the Group's cash flow. Adjusting items relate to non-recurring items or those resulting from acquisition and disposal related transactions.</p> <p>Please refer to Note 2 to the Group financial statements for further details.</p>	<p>The Committee reviewed and challenged the adjusting items contained in the Group financial statements and considered whether there was consistency of approach from period to period, an appropriate symmetry between losses and gains and whether the reversal of any accruals previously classified as adjusting items was maintained.</p>	<p>The Committee concluded that the adjusting items were appropriate and provided a fair assessment of the underlying profitability of the business.</p>
<p>Accounting treatment of Aalto contingent consideration</p> <p>The accounting treatment of the Aalto contingent consideration required judgement to determine whether it should be accounted for as purchase consideration (and therefore as goodwill and acquired intangibles on the balance sheet) or as a post-acquisition P&L remuneration cost.</p> <p>As the acquisition took place after the year-end, the Aalto contingent consideration will be included in the financial statements for the year ended 31 December 2017.</p>	<p>The Committee discussed and challenged management's assessment that the contingent consideration should be accounted for as consideration rather than remuneration in accordance with the indicators set out in IFRS 3.</p>	<p>After full discussion, the Committee confirmed that it agreed with management's assessment that Aalto contingent consideration was purchase consideration.</p>

Risk management, internal controls and compliance

Oversight of risk and control environment – key business areas

The Committee continued to develop its understanding of the Group's risk and control environment through in-depth reviews of key business areas and consideration of the integration of recently acquired businesses. Representatives from GLG, FRM, AHL and the Group's Sales team were invited to present to the Committee on the risk and control profile of their respective business areas. These presentations provide the Committee with real insight into the significant risks perceived by each business area and the controls that exist to manage and mitigate these risks as appropriate. Key areas of discussion are set out below.

Meeting	Business area reviewed	Key areas of discussion
	FRM	The challenges and opportunities that the integration of recent acquisitions such as Pine Grove and BAML have presented.
	GLG	Changes in the risk and control profile since the previous in-depth presentation with particular focus on performance.
	AHL	The extent to which the shift towards an institutional investor base within AHL impacted the business's risk environment.
	Sales	Understanding the perceived key risks within the Sales function following the change in leadership and the interaction between the Sales and Compliance functions.

Oversight of risk and control environment – key functional areas

The Committee also considered presentations from each of the Group's key functional areas and sought to understand the level of interaction between the functions together with their coverage of the Group's principal risks (as set out on pages 38 and 39).

Risk

At its meeting in May, the Committee received an update from the Chief Risk Officer (CRO) on the Group Risk function and its role in supporting the Group's governance processes, primarily through the maintenance of the Group's Authorities Summary (please see page 51 for further details) and the operation of the Risk Governance & Appetite Framework (the 'Framework'). During the year, the Committee considered a number of proposed changes to the Framework which included the addition of new qualitative risk appetite statements and the inclusion of 'Strategic Execution Risk' within the risk dashboard. The Committee endorsed the revised Framework and recommended it to the Board for approval. The Committee also considered the reallocation of the executive management's risk responsibilities following the departure of the CRO towards the end of the year.

Compliance

During the year, the Global Head of Legal and Compliance (now Chief Administrative Officer) presented the 2016 Compliance Plan. Particular focus was given to developments within regulatory technology as well as large scale regulatory change programmes such as MiFID II, the Market Abuse Regulation and the Senior Manager Regime. The Committee was keen to understand the impact that these programmes would have on the business from both a regulatory and resourcing perspective. In addition, the Money Laundering Reporting Officer (MLRO) presented his 2015 annual report in the first half of 2016 and confirmed that there were no material issues identified in 2015 to bring to the Committee's attention.

Finance

The Committee considered a presentation from the Group Financial Controller on the Finance function's governance arrangements and areas of focus during 2016. The Committee discussed key personnel changes in the Finance team including the appointment of Mark Jones as the Group's CFO. It noted the improvements that had been made to the automation and ownership of the revenue, rebates and distribution costs processes during the year and the enhancements to internal reporting of funds under management, flows and margins that were planned for 2017. The Committee also received an update from the Head of Tax summarising the Group's tax position and highlighting key priorities for the tax team in 2017.

IT and Operations

The Group's Chief Operating Officer updated the Committee on changes impacting the risk and control environment of the IT and Operations functions including the progress that had been made in transitioning Man's fund administration and agency business to an alternative service provider. The Committee was also briefed on the Group's insurance arrangements and received an update on the software solutions that had been implemented to enhance its ability to manage the risk of cybercrime.

A particular area of focus for the Committee during the year has been the governance arrangements that exist within Man's overseas offices and the exercise of central oversight. This was prompted by operational issues identified in Australia and the subsequent decision to outsource the transfer agency function in Australia to a third-party administrator, consistent with the operating model adopted by the rest of the firm. During the year, the Committee received a number of updates from management on the Australia office and considered the governance arrangements that apply to all of Man's overseas offices.

Ongoing monitoring of the Group's systems of risk management and internal control

Having considered the requirements set out in the Code, the Committee is satisfied that, through its regular review of dashboards, its in-depth assessment of key business areas and functions and its ongoing review of progress against the Internal Audit Plan (as described below), it is monitoring the effectiveness of the Group's systems of risk management and internal control on an ongoing basis. This is supported by regular discussions with the external auditor around risk management and internal controls to ensure that there is appropriate alignment. Further details can be found in the Corporate Governance report on page 53.

Internal Audit

2017 Internal Audit Plan

The Group's Internal Audit function continues to be outsourced to KPMG. During the year, the Committee reviewed and approved the 2017 Internal Audit Plan (the "Plan") which included details of the planned audit reviews for 2017 and the resources required to deliver the Plan.

At each meeting, the Committee considered Internal Audit reports presented by the Head of Internal Audit and monitored progress against the 2016 Plan. In response to feedback from the Committee, a number of changes were made to the format of the reporting to strengthen the focus on any significant issues identified in the audits and highlight any overdue items. Whilst no significant weaknesses were identified in any of the Internal Audit reports, a number of improvements to certain processes and controls were implemented in response to the recommendations put forward.

Audit & Risk Committee report continued

Effectiveness of Internal Audit function

The Committee reviewed the effectiveness of the Internal Audit function during the year to assess whether the function continued to meet key stakeholder objectives. The outcome of this review, which involved interviews with key stakeholders, indicated that the Internal Audit function continued to be effective and that the new Head of Internal Audit had made a good start in building strong working relationships across the business.

External audit

2016 external audit plan

At the October meeting, Deloitte's 2016 external audit plan was presented by Mark FitzPatrick, the lead engagement partner. The plan, which was discussed and approved by the Committee, set out the proposed materiality threshold, the scope of the audit and the significant audit risks that had been identified.

Auditor independence and the provision of non-audit services

In order to safeguard the independence and objectivity of the external auditor, the Committee is responsible for the development, implementation and monitoring of the Group's policies on the provision of non-audit services by and the hiring of personnel from the external auditor. The Committee reviewed and approved these policies during the year which had been updated to reflect changes in EU audit legislation restricting the non-audit services that the external auditor is able to provide.

Summary of non-audit policy

In accordance with the non-audit services policy, any potential services to be provided by the external auditor, which are not excluded under the non-audit services policy but which have an expected value of \$75,000 or more, must be approved by the Committee in advance. The Committee's approval is also required where the pre-approved fees in any financial year exceed \$2 million in aggregate (provided this does not exceed the 70% cap on non-audit services as a percentage of the statutory audit fee introduced by EU independence legislation). Further details can be found on the Company's website.

The table below shows the remuneration paid to Deloitte in 2015 and 2016.

	2016 \$000	2015 \$000
Fees payable to the external auditor for the audit of the Company and the consolidated financial statements	451	507
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	1,529	1,543
Audit-related assurance services	308	273
Tax advisory services	–	44
All other services	54	51
Total auditor's remuneration	2,342	2,418

Following a formal assessment of the external auditor's independence and objectivity at its meeting in February 2017, the Committee concluded that Deloitte continued to be independent and objective.

Effectiveness of external audit process

To facilitate the Committee's formal assessment of the effectiveness of the external audit process, a questionnaire was circulated to and completed by Committee members and various members of the management team. The questionnaire focused on several components of the 2015 external audit process including the quality of the audit partner and team, planning and execution of the audit, communication with the Committee and the external auditor's independence and objectivity. The responses, which were discussed in May 2016, indicated that, overall, Deloitte was performing in line with expectations and that the team had demonstrated increasing knowledge of the business and professional scepticism in the challenge of key judgements. The review also highlighted that certain areas that had been identified as requiring improvement in the previous year's assessment had been addressed in the 2015 audit. Areas for further consideration included the resourcing and structure of the audit team and the direct involvement of specialists on particular issues such as goodwill. After extensive discussion, the Committee concluded that the external audit process in respect of the 2015 financial statements had been effective.

Reappointment of Deloitte as external auditor

Deloitte LLP was appointed as the Group's external auditor in 2014, following a tender process led by the Committee in 2013. In accordance with the Code and the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order'), the Company will be required to put its external audit process out to tender again in 2023 at the latest with mandatory rotation of the external auditor required by 2033 pursuant to the EU Audit Regulation. The Committee confirms that it has complied with the provisions of the Order for the financial year under review.

Following the Committee's review of the effectiveness of the external audit process and its assessment of the external auditor's independence and objectivity, it has recommended the reappointment of Deloitte as the Group's external auditor to the Board for recommendation to and approval by shareholders at the 2017 Annual General Meeting.

How the Committee has assessed its effectiveness

In response to the comments raised in the Committee's evaluation undertaken in 2015 around the appropriate forum for the consideration of strategic risk, the Board agreed that strategic risk should be an area reserved for Board discussion and that it should be properly defined and articulated to facilitate a more detailed review. The consideration of strategic risk was addressed as part of the review of the Risk Governance & Appetite Framework in May.

Towards the end of the year, the Committee conducted an evaluation of its effectiveness, which was facilitated internally. Questionnaires which covered topics such as composition, meeting effectiveness and engagement with the Internal Audit function and with Deloitte, were circulated to all Committee members and regular attendees. The findings of the evaluation confirmed that Committee was operating effectively and responses indicated that meetings were well structured with an appropriate level of constructive challenge provided by all members. Areas identified for focus in 2017 include undertaking in-depth reviews of new business areas as the Group continues to diversify, organising further targeted training on regulatory developments and key issues impacting the Committee, and drawing on Deloitte's experience to explore areas of best practice among other audit and risk committees.

Matthew Lester

Chairman, Audit and Risk Committee

Nomination Committee report



MEMBERSHIP

Chairman

Ian Livingston (from 6 May 2016)
Jon Aisbitt (to 6 May 2016)

Committee members

From 1 January – 7 December 2016:
Richard Berliand (from 19 January 2016)
Phillip Colebatch
John Cryan
Andrew Horton
Matthew Lester
Dev Sanyal
Nina Shapiro

From 8 December 2016:
Richard Berliand
Phillip Colebatch
Matthew Lester

Attending by invitation

Luke Ellis

ROLES AND RESPONSIBILITIES

The Committee's role is to:

- keep the Board's composition, skill and experience base under regular review in light of business changes;
- consider the knowledge, experience and competencies required for a particular appointment;
- conduct the search and selection process for new directors taking advice from independent search consultants as appropriate;
- recommend to the Board preferred candidates for Board appointment;
- review senior executive development and succession plans to ensure continuity of resource at, and just below, Board level; and
- review and recommend to the Board the renewal of non-executive director appointments.

Details of the Committee's main activities during 2016 and early 2017 are given on page 62.

Full terms of reference for the Committee, which are reviewed on an annual basis and referred to the Board for approval, are available on the Company's website.

www.man.com/corporate-governance

Introduction from the Chairman

2016 was another busy year for Man's Nomination Committee of which I took over the Chairmanship in May. Following Manny Roman's decision to leave the business in July, we were able to take advantage of internal succession plans to appoint Luke Ellis, formerly President, as Man's new CEO. Further succession steps then followed with the appointment of Mark Jones as CFO designate and the broadening of Jonathan Sorrell's role as President to include Sales and Marketing, Man Global Private Markets and Man FRM. We continued our search to broaden our non-executive strength and diversify the Board's skills and experience base, leading to the appointment of Dame Katharine (Kate) Barker as an additional non-executive director with effect from 1 April 2017. Further detail of the Committee's discussions and actions in these areas are given in the report below.

Membership and meetings

All our non-executive directors were members of the Committee and attended all meetings held through to December 2016 as shown in the table below. In that month, in response to feedback received in the 2016 Board and Committee evaluation, the Board agreed to streamline the membership so that it now comprises only the Chairman of the Board, the Senior Independent Director and the Chairmen of the Audit and Risk and Remuneration Committees. The CEO will continue to attend Committee meetings by invitation, when appropriate.

In addition to the formal meetings listed, the executive management changes we made over the summer period necessitated substantial informal dialogue and numerous calls with Committee members, supported when necessary with written papers. These allowed for a full exchange of views and swift decision making to take advantage of the opportunities created and ensure a smooth and effective transition to the new management structure.

2016 Committee meetings	Attendance
Ian Livingston (Chairman from 6 May 2016)	3/3
Jon Aisbitt ¹ (Chairman to 6 May 2016)	1/1
Richard Berliand	3/3
Phillip Colebatch	3/3
John Cryan	3/3
Andrew Horton	3/3
Matthew Lester	3/3
Dev Sanyal	3/3
Nina Shapiro	3/3

¹ Jon Aisbitt retired from the Board on 6 May 2016.

Nomination Committee report continued

What the Committee did during the year



Changes in executive management

CEO

Following Manny Roman's indication in July that he intended to submit his resignation as CEO to take up an alternative position elsewhere, the Committee decided that it would not be in the best interests of the business to hold him to his contractual notice period and quickly moved to consider the successions plans already in place.

We were aware that Luke Ellis had worked alongside Manny since 2012 as President of the firm, helping build the business and deliver performance for investors through the management of Man's four investment units. He was well known to us through his regular reports to the Board on industry trends and Man's market positioning and was considered by the Committee to be an ideal leader and successor for the CEO role. On the basis of the Committee's strong recommendation, the Board was pleased to approve Luke's appointment with effect from 1 September, subject to FCA approval, following a two month handover from Manny.

The Committee also recommended that Luke should consider any changes that it might be appropriate for him to make to other executive roles on the Board to take account of the impact of his appointment and ongoing business developments.

CFO and President

Following the Committee's discussions with Luke over the summer regarding his new management team, Mark Jones, former co-CEO of GLG, was confirmed by us as a potential successor for the role of CFO and was subsequently formally interviewed by the Chairman of the Audit and Risk Committee and me. The Committee concluded that Mark was the best candidate to succeed Jonathan Sorrell and should take over from him in that role after an appropriate transition. It was intended that this change would give Jonathan the opportunity to take on a broader role as President, working alongside Luke, with responsibility for corporate strategy and M&A, global Sales and Marketing including client relationships, and building our private markets business.

The Committee made these formal recommendations to the Board which were approved and announced, together with a number of other changes in Luke's senior leadership team, on 2 September.

In December, following the receipt of FCA approval of Mark's prospective appointment as CFO and taking account of his rapid development and substantial contribution as CFO designate, the Committee concluded and recommended to the Board that Mark was ready to progress to the full CFO role with effect from 1 January 2017.



Building the non-executive team

In May, the Committee reviewed and discussed the recommendations of the Equality and Human Rights Commission in its report on the Inquiry into the appointment of directors to the boards of FTSE 350 companies and the practical steps which the Commission suggested companies could take to improve diversity when making Board appointments. I gave the Committee an update on the status of a number of candidates who had been considered or interviewed in our search for a new non-executive director and invited further input and ideas on alternative names.

Candidate specification

Our specification for the search was for an individual who had some of the following:

- knowledge of the workings of global financial markets and the financial services sector;
- the experience to bring a broad business perspective;
- the ability to add to diversity of thought and approach;
- an understanding of Man's regulatory environment and insight into the institutional investment community; and
- an international outlook and knowledge of the geographies within which Man operates.

Appointment of Kate Barker

In December, following further search activity, the Committee considered the appointment of Kate Barker who had a broad ranging career as a top level business economist, good knowledge of global economies and markets, and was an experienced non-executive director. The Committee noted the positive feedback on Kate from interviews with me, Luke Ellis and Committee members and considered that she would be a valuable adviser and contributor to the business in terms of strategic thinking, economic insight and understanding of financial markets. Following the Committee's recommendation and the receipt of FCA approval, the Board approved Kate's appointment as a non-executive director with effect from 1 April 2017.

Review of existing appointments

At the end of the year, following my review of individual members' contribution to the Board as part of the 2016 evaluation, the Committee reviewed the renewal of Matthew Lester's appointment as a non-executive director and as Chairman of the Audit and Risk Committee ('ARCom') for a further three-year term. The Committee considered that Matthew continued to make a vital contribution to the Board through his leadership of the ARCom and his input into Board decisions. I was able to confirm his interest in remaining on the Board and that he had sufficient time to devote to the role. The Committee was, therefore, pleased to recommend to the Board Matthew's reappointment as a non-executive director for a further three years from May 2017, subject to his annual reappointment by shareholders at the AGM.

Senior Independent Director

As part of the refreshing of Board roles, the Committee has recommended and the Board has agreed that Richard Berliand, Chairman of the Remuneration Committee, should succeed Phillip Colebatch as Senior Independent Director ("SID") on the conclusion of our 2017 AGM on 5 May. Richard is well placed to succeed Phillip in this role following his extensive engagement with our major shareholders on remuneration matters over the last six months. The Committee has expressed its thanks to Phillip, who will continue to serve on the Board, for his service as SID and in particular for his leadership of my succession as Chairman in 2015/16.

Future planning

The Committee continues, in the interests of the ongoing refreshing and strengthening of our Board, to look for suitable candidates for future non-executive appointments. Feedback from the 2016 Committee evaluation, further details of which are given on page 63, recognised the diversity challenge and identified a number of additional capabilities which we will build into our future non-executive search specification.

Improving our effectiveness

Following the external Committee evaluation carried out in 2015, I decided to conduct my own internal discussions with Committee members on the operation of the Committee during 2016 and on how we could improve our effectiveness. Summary feedback from these conversations and areas agreed for future focus are set out below:



Strengths

There was general satisfaction with the way the Committee had managed the extensive changes in the executive management team during the year.

The current composition, expertise and level of commitment on the Board was considered to be good.

The high proportion of 'executive' NEDs on the Board was seen as beneficial.



Opportunities

To provide Board balance, it was suggested that new NED appointments should not be full time executives.

The Committee noted the diversity challenge for future recruitment and identified the following specific capabilities which might usefully be added to the Board in future non-executive searches:

- direct experience of fund management;
- international and in particular US exposure; and
- legal or regulatory background.

As regards the operation of the Committee, there was support for a reduced streamlined membership which was approved by the Board and implemented at the end of the year as noted earlier in this report.

The Committee also recognised the value of non-executive discussion on people and succession issues outside formal Board and Committee meetings and agreed that non-executive dinners should be arranged for this purpose in the course of 2017.

Lord Livingston of Parkhead

Chairman

Directors' Remuneration report

Chairman's annual statement



Richard Berliand
Chairman of the Remuneration Committee

I am pleased to present my first Directors' Remuneration report (DRR) as Chairman, having been appointed following the 2016 AGM. I would like to thank my predecessor, Phillip Colebatch, for his support when I took over the role.

For ease of reference this report contains the following sections:

- this Annual Statement (pages 64 to 65);
- a new Remuneration 'at a glance' section, summarising the main remuneration outcomes for 2016 (pages 66 to 67);
- the Annual Report on Remuneration (pages 68 to 83); and
- Man's Directors' Remuneration policy, as approved by shareholders at the 2015 AGM (pages 84 to 89).

1. CHAIRMAN'S ANNUAL STATEMENT

1.1 Introduction

Since my appointment, I have sought to talk to and meet with as many shareholders as possible in order to understand their views and, in particular, the concerns of the substantial minority who voted against the DRR resolution in May 2016.

In response to this feedback, we have taken the following actions:

- Formalised the annual bonus with the allocation of specific weightings by category, with 75% based on quantified financial targets
- Reduced the 2016 bonus maximum from 300% to 250% of salary and reduced the Deferred Executive Incentive Plan (DEIP) maximum from 467% to 350% of salary for the 2017 award
- Pending the full review of the Directors' Remuneration policy next year, capped the DEIP maximum at 467%, and
- Published the CEO to median employee ratio

The Committee reviewed the operation of our Directors' Remuneration policy to ensure it provides an appropriate framework for remuneration decisions, enables our executives to be rewarded fairly in the context of both individual and company performance against our financial and strategic goals and ensures that their interests are aligned with shareholders. Whilst I acknowledge that some shareholders would have liked a revised policy to be put to a vote at the AGM in 2017, the Committee concluded that there was sufficient flexibility within the existing policy to address the main concerns. We were also mindful of the very significant changes to the Board over the last 12 months, with the Company Chairman, myself, the CEO and CFO all being new in role. Since the current approved policy did not require renewal until May 2018, it was felt we should use the intervening period to make a complete assessment of all aspects of executive remuneration and understand what, if any, changes most shareholders would like to see. Further, I am conscious that executive remuneration is currently under intense scrutiny from a number of stakeholders and it seemed appropriate to conduct the full policy review at the scheduled time when those views are more fully

developed and disseminated. For 2016 and 2017, however, we have made the changes summarised above and set out in more detail below.

1.2 Application of policy in 2016 and 2017

The annual bonus will continue to be based on the Committee's assessment of executive directors' performance against objectives agreed by the Board at the beginning of the year in the same five categories as before. However, although historically the achievements against those objectives have been subject to a rigorous performance assessment by the Committee, some shareholders felt that the link between pay and performance needed to be more demonstrable. Consequently, in 2016, specific weightings by category and quantified financial targets have been introduced and now account for 75% of the overall bonus outcome, as follows:

Objective Category as per policy	Weighting in 2016 & 2017
P&L Performance and Sales	65%
Financial Health – Investment Performance	10%
Total financial metrics	75%
Strategy, Structure and People	10%
Risk, Compliance and Reputation	10%
External Stakeholder Engagement	5%
Other performance metrics	25%

Full details of the specific measures used in each category, together with the threshold, target and maximum performance ranges and the actual outcomes achieved, are set out in Tables R3 and R4 on pages 72 and 73. In order to ensure that there is alignment between executive and shareholder experience, the Committee retains the discretion to adjust the formulaic outcome, up or down, to ensure that the level of any bonus awarded is aligned with underlying business performance and risk considerations.

In response to shareholder feedback, the Committee has also decided that it will permanently eliminate the Deferred Executive Incentive Plan (DEIP) maximum tier of 525%, approved in the current policy by shareholders in 2015; the maximum multiple of salary under the DEIP is, therefore, capped at 467% for both 2017 and 2018 awards, although the Committee may continue to exercise its discretion to apply a lower multiple, as it has done this year. No other changes have been made to the operation of the DEIP under which deferred shares are awarded based on the outcome against a balanced scorecard of performance metrics, 80% of which is composed of the four quantitative KPIs used to measure progress against Man's key business priorities, with the remaining 20% relating to the development of management talent and business culture. Any awards made under the DEIP are normally based on performance against the scorecard in the three previous financial years, except that, on the appointment of a new executive director, the performance period is initially based on one financial year's performance and is progressively extended so that the director only receives awards based on performance to which they have contributed.

1.3 Change of CEO and CFO

During the year, Man's former CEO, Manny Roman, left the Company to take up another role and we were delighted to be able to appoint an internal successor, Luke Ellis, formerly President. There was no increase in salary compared to his predecessor. Jonathan Sorrell was appointed President, in addition to his role as CFO, in September 2016, with no change to his salary, and Mark Jones replaced Jonathan as CFO with effect from January 2017, at a lower salary. Details of Luke's, Manny's and Jonathan's remuneration for 2016 are set out in the DRR together with the arrangements that will apply to Luke, Jonathan and Mark in 2017.

Having chosen to leave Man Group, Manny Roman was not eligible for any variable compensation in respect of 2016; further, all conditional share awards previously granted to him under the DEIP lapsed in full when he left the Company.

1.4 Shareholder engagement

As mentioned in my introduction, I have actively engaged with as many shareholders as possible this year and intend to continue to do so in the future. I have been very conscious both of the need to understand the views of Man's own shareholders and also the wider context in which we are operating, where a number of ideas are being put forward to address perceived failings in the operation of broader market executive remuneration.

Towards the end of last year, I wrote to some 30 of our top shareholders, representing more than 60% of the shareholder base, together with the main shareholder representative bodies, setting out details of the changes to the application of our policy with respect to the short-term annual cash bonus as set out above; the letter also covered the remuneration arrangements put in place for Luke Ellis on his appointment as CEO.

I would like to take this opportunity to express my thanks to those shareholders who responded and, in particular, those who made themselves available to meet. Overall, the changes we have made were broadly welcomed although the shareholder population is diverse and expressed a wide spectrum of views. These ranged from those who felt that the introduction of quantifiable metrics into the bonus had not gone sufficiently far, to those who were concerned that an over-reliance on a formulaic linkage to financial metrics could detract from the important focus on talent attraction, motivation and retention as well as delivery of the overall strategy.

A second letter was sent to major shareholders just before the year-end, providing our feedback on questions that had been raised in response to the first letter. I will be pleased to continue to engage with our shareholders to provide any clarification required on the content of this 2016 DRR as well as to hear your views on changes you would like to see in the new remuneration policy to be put to the vote in 2018.

1.5 Review of performance in 2016

Despite the evident challenges in the industry and the lower results for the Company during 2016, the Committee is pleased with progress made during the year. In terms of the financial metrics used to assess management, via both the annual bonus and DEIP, there was mixed performance with encouraging organic growth in funds under management and some good relative performance compared to benchmark, especially in AHL and Numeric. Less positively, investment performance was not as good in FRM and, overall, performance fees, which are subject to a high degree of volatility, fell significantly year-on-year. Nevertheless, despite the challenging market conditions, further progress was made in creating the foundations for future growth, including the acquisition of Aalto and the establishment of Man Global Private Markets. The Committee was especially impressed by the manner in which Luke Ellis took on his new responsibilities as CEO with a seamless transition and minimal disruption.

1.6 Variable remuneration outcomes for 2016

As indicated in the previous paragraph, 2016 has been a challenging performance year for the industry and this is reflected in the incentive outcomes under both the annual bonus and the long-term DEIP.

Overall, performance in the quantitative metrics for the short-term cash bonus resulted in a pay-out of 26.2%, out of a total of 75%, representing creditable performance in the circumstances and both executive directors were assessed to have performed well against their qualitative objectives. The resulting total payouts under the annual bonus for Luke Ellis and Jonathan Sorrell were significantly lower than those awarded to the CEO and CFO last year.

Performance under the DEIP was measured over the three years and one year ended 31 December 2016 for Jonathan Sorrell and Luke Ellis respectively. For Jonathan Sorrell, an overall pay-out of 32.5% of maximum represented an above-threshold performance in each of the financial KPIs and outperformance in two out of four of the investment benchmarks combined with good performance against the Culture and Talent criteria. Given the challenges discussed earlier, the result on the quantitative KPIs for Luke Ellis for 2016 combined with strong personal performance contributed to an overall result of 28.6% of maximum.

The Committee did not consider it necessary to exercise any discretion to adjust the formulaic outcome under either the bonus or DEIP but, having carefully considered the performance context and experience of shareholders during the year, the Committee decided to exercise its discretion to reduce the multiple of salary to which the outcome is applied from 300% to 250% for the bonus and from 467% to 350% for the DEIP, in line with 2015.

Full details of the remuneration outcomes for 2016 are set out both in the new 'at a glance' section (on page 66) and in the full DRR (on pages 71 to 75).

1.7 Looking ahead to policy renewal in 2018

As noted above, the Remuneration Committee intends to undertake a complete review of our Directors' Remuneration policy prior to asking shareholders to vote on it at our AGM in 2018. This will consider the needs of the business to attract, retain and incentivise the calibre of talent required to deliver the returns which our shareholders demand, overall shareholder expectations and the wider executive remuneration landscape within which we operate.

Engagement with many shareholders over the last few months is providing invaluable insights into the range of opinions which exist across the shareholder base and I intend to continue to seek out as many views as possible prior to embarking on our formal review of the policy immediately after the AGM in May 2017. We recognise that the overall maximum limits for our incentives are an issue with some shareholders and we commit, given their concerns, to consider this point, while also taking into account the desired retention of management and the evolving competitive landscape in both the quoted and private arenas. I hope that the material changes we have already made to the application of the policy, in terms of both the introduction of quantitative metrics in the bonus and the reduction in the DEIP maximum, demonstrate my willingness to listen and act if appropriate.

1.8 Conclusion

I hope that you find the information in this letter, and the sections of the DRR that follow, to be clear and useful and I would welcome any feedback you may have.

In line with our commitment to transparency, we are, for the first time, publishing the following:

- For the annual bonus: details of the threshold, target and maximum levels of performance and the actual outcomes achieved against each financial metric in 2016, together with a detailed rationale for the level of payouts for the non-financial metrics (pages 72 and 73).
- The ratio of CEO to median employee pay for 2015 and 2016 (page 66).

I look forward to welcoming you at our AGM and hope to receive your support for our 2016 DRR resolution at that meeting.

Richard Berliand

Remuneration Committee Chairman

Remuneration at a glance

The application of our policy with respect to the short-term annual cash bonus and the maximum available under the DEIP has changed this year in response to shareholder feedback. All other elements of the policy remain unchanged.

Key elements of the Directors' Remuneration policy are summarised in the table below:

Directors' Remuneration policy

Key elements		Applies to	2016 operation	2017 operation
Fixed pay	Salary (annual base)	CEO	Manny Roman (to 31 August 2016) \$1,100k	Luke Ellis (from 1 September 2016) \$1,100k
		President	Luke Ellis (to 31 August 2016) (not on Board)	Jonathan Sorrell (from 1 September 2016) \$750k
		CFO	Jonathan Sorrell \$750k	Mark Jones \$575k
	Pension allowance	All EDs	14% of salary	
	Benefits	All EDs	Includes family private medical insurance, life assurance and permanent health insurance	

Annual Cash Bonus	Paid in 2016		Paid in 2017	
	Performance period	All EDs	2015	2016
	Maximum opportunity		300% of salary	300% of salary
	Opportunity applied		250% of salary	250% of salary
	KPIs		Discretionary Remuneration Committee assessment against objectives, malus and clawback apply	75% financial, 25% strategic, malus & clawback apply (see details on pages 72 and 73)
	Payable	CEO	\$2,500,000 (83.3% of maximum opportunity)	\$441,834 ¹ (40.2% of maximum opportunity)
CFO		\$1,796,875 (83.3% of maximum opportunity)	\$856,875 (38.1% of maximum opportunity)	

Deferred Executive Incentive Plan	2016 award		2017 award	
	Performance period		2013–2015	2014–2016 (2016 for Luke Ellis)
	Maximum opportunity		408% of salary	467% of salary
	Time horizon		Granted based on a pre-grant 3-year performance period, any shares awarded at year 3 vest equally in years 6, 7 and 8	
	KPIs		80% financial, 20% strategic, malus & clawback apply (see details on pages 74 and 75)	
	Opportunity applied		350% of salary	350% of salary
	Granted	CEO	\$1,662,500 (40.7% of maximum opportunity)	\$488,950 ¹ (28.6% of maximum opportunity)
CFO		\$1,194,922 (40.7% of maximum opportunity)	\$1,136,625 (32.5% of maximum opportunity)	

Ownership	Requirement		Year-end 2016 ownership	
	Share ownership guidelines	CEO	200% of salary	231% of salary
		CFO	100% of salary	117% of salary

¹ Outcome applied to pro-rated salary from 1st September 2016 for Luke Ellis

CEO Ratios

We recognise that shareholders want to understand the total amount paid to the CEO in the context of other employees in the business; the relevant ratios between the CEO's total remuneration and the median employee for 2015 and 2016 are shown opposite. In order to provide a meaningful comparison, Luke Ellis's pay for the four months since his appointment has been annualised for 2016.

CEO PAY COMPARED TO MEDIAN EMPLOYEE PAY

2015

32:1

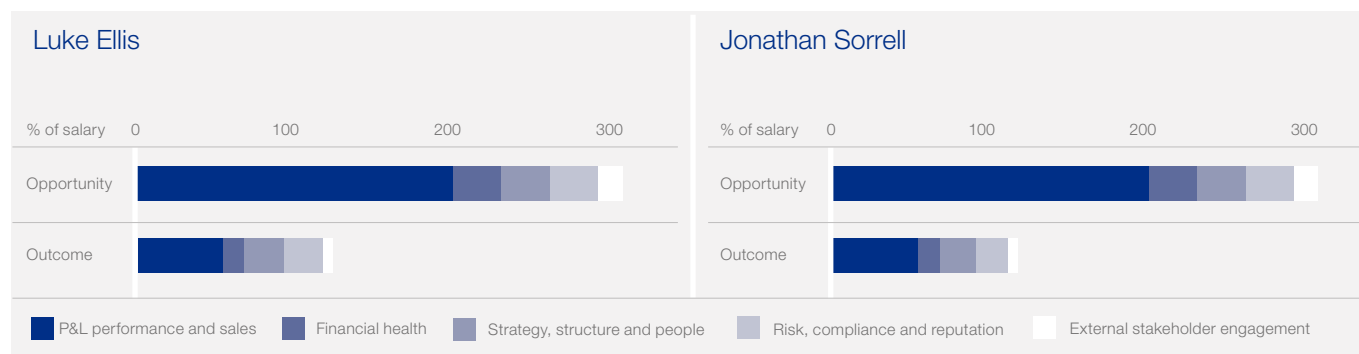
2016

27:1

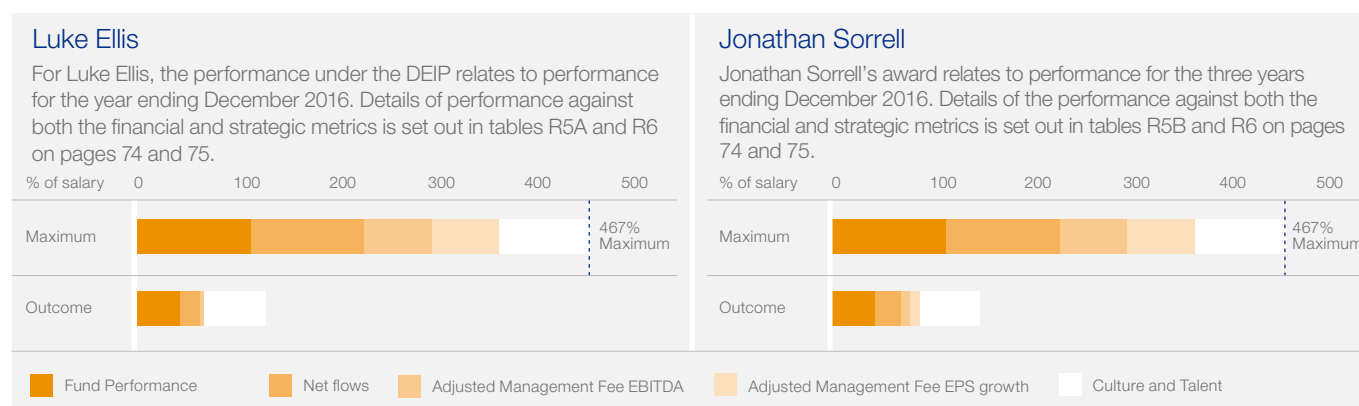
Incentive Performance during the year

The charts below set out the categories and weightings, together with the performance achieved compared to the maximum opportunity, for both the short and long-term incentive arrangements for each of the executive directors who served during the year. Manny Roman did not participate in any variable pay during the year-ended 2016 and all his earned but unvested awards under the DEIP lapsed when he left.

Short-term Annual Cash Bonus

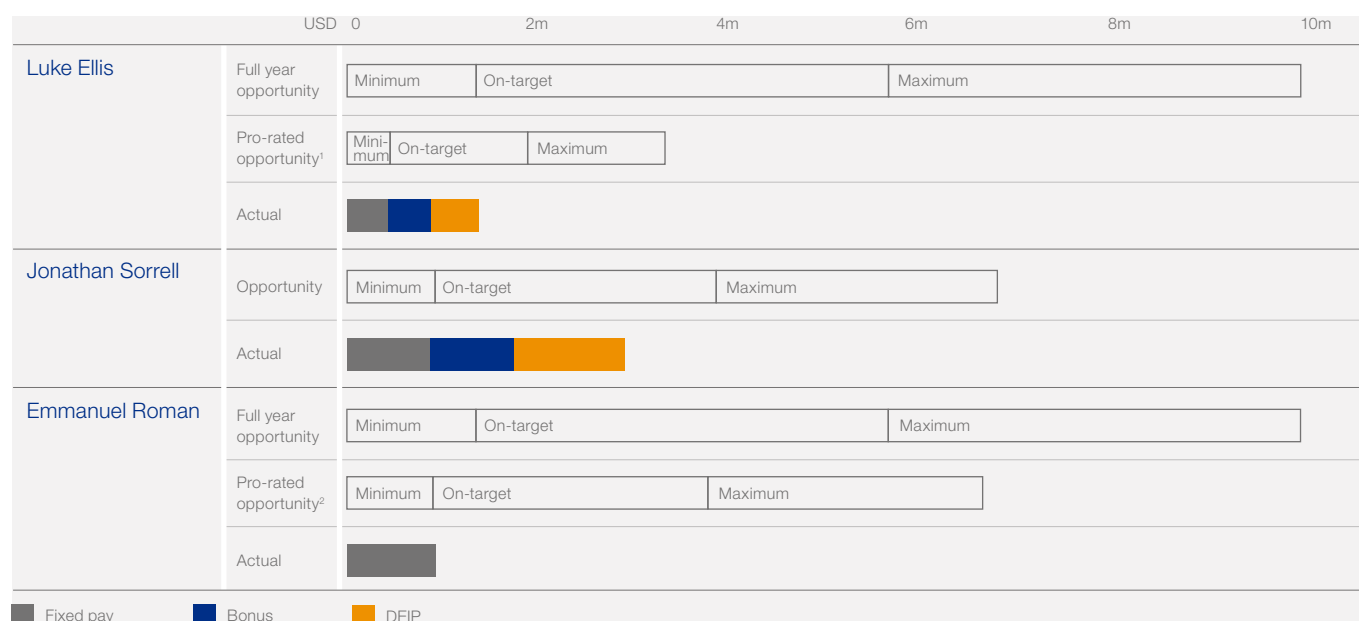


Deferred Executive Incentive Plan (DEIP)



Maximum total remuneration opportunity compared to actual remuneration received in 2016

The charts below show total remuneration received in 2016 for each executive director that served during the year, extracted from the Single Figure table (R2, page 71); the charts also show the minimum, on-target and maximum total pay under the policy (the detailed assumptions for which are set out on page 87). For Luke Ellis and Manny Roman the minimum, on-target and maximum opportunities have been pro-rated in line with time served during the year.



¹ Pro-ration represents four months since appointment on 1 September 2016.

² Pro-ration represents eight months prior to exit on 31 August 2016.

Directors' Remuneration report 2016

MEMBERSHIP

Chairman

Richard Berliand

Committee members

Phillip Colebatch

Ian Livingston

Nina Shapiro

Attending by invitation

Luke Ellis

Mark Jones

Jonathan Sorrell

ROLES AND RESPONSIBILITIES

The Committee's role is to:

- determine the Company's remuneration philosophy and the principles and structure of its remuneration policy, ensuring that these are aligned with business strategy, objectives, risk appetite and values, comply with all regulatory requirements and promote long-term shareholder interests;
- approve the specific remuneration policy for the executive directors, for approval by shareholders, and make remuneration decisions within that approved policy;
- approve the total annual compensation for individual executive directors based on their achievement against objectives set by the Committee and Board at the start of the year for the short-term annual cash bonus and at the start of the relevant performance period for the DEIP;
- recommend to the Board the remuneration of the Chairman;
- approve the total annual compensation for Executive Committee members and Remuneration Code staff;
- review and consider shareholder feedback and agree the approach to any shareholder engagement.

2. REMUNERATION COMMITTEE

2.1 Membership and attendance

The Committee members at the date of this report are Richard Berliand (Chairman), Ian Livingston, Phillip Colebatch, and Nina Shapiro. Richard Berliand was appointed a member on his appointment to the Board on 19 January 2016 and was appointed Chairman following the AGM in 2016, in succession to Phillip Colebatch. All the other Committee members held office throughout the year.

Committee meetings are regularly attended by the CEO and by the President and CFO at the invitation of the Chairman. The Committee is supported by the Senior Reward Executive, who routinely attends, together with members of the HR, Compliance and Executive Incentive Plans teams who attend meetings when required to provide information and advice on remuneration, regulatory and executive incentive plan matters. The Company Secretary acts as Secretary to the Committee and supports the shareholder engagement programme.

At the end of each meeting there is an opportunity for private discussion between Committee members without the presence of executive directors and management. No Committee member or attendee is present when matters relating to his or her own remuneration are discussed.

2.2 Independent advisers

Kepler, a brand of Mercer (Kepler), provide the Committee with advice on a range of remuneration matters including the benchmarking of directors' compensation in the asset management sector, trends in market practice and regulatory disclosures. Neither Kepler nor any of the Mercer group of companies of which Kepler are a part provide any other services to the Company. Kepler have confirmed that they have no other business or personal relationship with any employee of the Company or member of the Committee. The Committee is satisfied on this basis that Kepler are able to serve as an objective and independent remuneration adviser. The total fees paid to Kepler in 2016 were £63,243. The Committee also received legal advice from Herbert Smith Freehills LLP on compliance with legislation and regulations relating to remuneration matters.

2.3 Meeting schedule

The Committee met seven times during 2016 with attendance by members as indicated below. In addition, certain urgent proposals relating to compensation for new hires and the retention of awards by good leavers were circulated and agreed by email in between meetings.

Committee Member	Meetings attended
Richard Berliand	6/6 ¹
Phillip Colebatch	7/7
Ian Livingston	7/7
Nina Shapiro	7/7

¹ Appointed to the Committee on 19 January 2016 and attended all meetings thereafter.

Full terms of reference for the Committee, which are reviewed on an annual basis and referred to the Board for approval, are available on the Company's website.

www.man.com/corporate-governance

2.4 Committee activities during 2016 and the early part of 2017

The summary below sets out the main issues considered and decisions made by the Committee in the period following the publication of the 2015 Directors' Remuneration report up to the current date.



Executive director compensation

- Reviewed the Directors' Remuneration policy, in response to shareholder feedback, and made changes to the operation of the short-term annual cash bonus, namely the introduction of financial targets and weightings by category.
- Established the threshold, target and maximum ranges to be achieved for the financial metrics in the annual bonus.
- Assessed the performance of the CEO and CFO/President against the financial and non-financial metrics of the annual bonus, determined the salary multiple to be applied and the total cash sum payable.
- Approved a permanent reduction in the maximum available under the DEIP from 525% to 467% of salary.
- Reviewed the percentage of long-term deferred share bonus earned under the quantitative metrics of the DEIP and determined the percentage of bonus earned by the CEO and CFO/President under the Culture and Talent element.
- Determined the salary multiple to be applied under the DEIP and the total value of the Deferred Bonus.
- To provide the business context for all the above reward decisions, reviewed the available benchmarking for the CEO and CFO/President roles within UK and US listed asset managers and such other data as could be obtained for the private hedge fund market (please see section 2.6 for further details).
- Determined the remuneration arrangements to apply, including the appropriate base salary, to the new CEO and CFO.



Shareholder engagement and reporting

- Reviewed shareholder voting and feedback on the 2016 AGM DRR resolution.
- Planned the shareholder engagement programme, including informing shareholders of the changes made to the operation of the bonus, and discussed feedback received.
- Reviewed the 2016 DRR taking account of best practice recommendations, institutional shareholder guidelines and specific investor feedback.



Executive compensation below Board level

- Reviewed and challenged the 2016 bonus pool proposed by management in relation to the Company's performance for the year.
- Approved bonus deferral policies for different groups of staff.
- Approved total compensation proposals for Executive Committee members, taking account of the CEO's appraisal of their individual performance for 2016 and their adherence to the Company's business values.
- Approved the total compensation for BIPRU and AIFMD Remuneration Code and senior control staff.
- Retained oversight of the total compensation for staff earning over \$1 million, taking account of the CEO's appraisal of their performance for 2016 and reports from the Risk and Compliance functions on any related risk issues arising during the year.
- Approved a small number of downward risk adjustments where behaviours were observed which fell below the standards required by Risk and Compliance.
- Approved total guaranteed compensation above \$1 million proposed for new senior portfolio manager hires.



Financial regulation and governance

- Reviewed ongoing regulatory developments on remuneration and their implications for the Company's business.
- Reviewed the Company's updated remuneration policy and FCA Remuneration Policy Statement in line with BIPRU and AIFMD requirements.
- Approved updates to the list of Remuneration Code staff.
- Approved the grant of buy-out awards for new senior portfolio managers in line with FCA requirements.

Directors' Remuneration report continued

2.5 2016 Committee evaluation

Following a mid-year review of the priority actions identified in the 2015 evaluation, at the year-end the Chairman undertook an evaluation of the operation and effectiveness of the Committee during 2016. The topics covered included progress on the priorities for 2016 agreed in the 2015 evaluation, the conduct and outcomes of specific areas of Committee activity and focus during the year, and generic issues such as Committee strengths and dynamics, advisors and resource, quality of information and meeting support.

In the evaluation feedback, the Committee recognised the smooth transition to the new Chairman and the additional resource available to support the Committee through the appointment of a Senior Reward Executive. It also agreed the following specific areas of focus for 2017:

- deliver the 2016 DRR and review the bonus structure for 2017;
- continue the Committee's engagement with shareholders on the Company's executive remuneration strategy and policy;
- develop a new Directors' Remuneration policy for approval at the 2018 AGM that delivers a remuneration framework for executive directors which will both continue to support the reward and retention of talent and address concerns expressed by some shareholders;
- review the compensation models below Board level; and
- keep the remuneration advice and industry knowledge available to the Committee under review.

2.6 Benchmarking and peer groups

Benchmarking is one of a number of factors considered by the Committee in its deliberations on remuneration as it is important that the Committee understands the level of remuneration paid by Man's competitors for similar positions and which they may be offering in the market place.

Man variously uses three separate peer groups as detailed in the tables below. These are:

1. a group of asset managers and related businesses listed on the London Stock Exchange;
2. a group of similar businesses listed on the New York Stock Exchange or Nasdaq; and
3. businesses within the privately owned hedge fund industry.

All three of these sources are relevant.

Many of Man's senior staff are geographically mobile, particularly between London and New York, and an explicit consideration of remuneration levels in both of these geographies is relevant. Man is one of the few listed companies anywhere in the world that operates in the hedge fund industry. The majority of businesses in this industry are privately owned and systematic remuneration data is not publicly available. Nevertheless, Man competes for talent against these businesses and staff move between Man and these private companies.

Man operates globally – witnessed in the geographic footprint of its operations, the spread of its client base and in the breadth of assets it manages. It also creates and distributes a wide range of products: hedge funds, long only funds and quantitative funds. None of the companies referred to below have these same characteristics and, although some of them are larger than Man, the Committee believes that, while they are broadly comparable, Man tends to be more diverse geographically and have a wider range of fund strategies. However, these groups share some of Man's characteristics and, in some cases, information regarding the remuneration of directors is publicly available.

The privately owned hedge fund market is made up of a large number of participants, some of them small and single product and others very large. As noted earlier, little information is available publicly on the compensation quantum and structures in these businesses. The senior management of those few hedge fund companies which are publicly listed are generally the founders of the original private company who retained very significant shareholdings at the time of listing. Man endeavours to make up this gap in publicly available data by reviewing available information on privately owned peers, some of whom are listed in the table below. Man has also obtained direct information about remuneration in those privately held companies that Man has acquired.

Interpreting peer group data and benchmarking involves a number of complexities and the Committee looks at this data to provide important market context for its decisions.

UK LISTED PEER GROUP	US LISTED PEER GROUP	PRIVATE MANAGER PEER GROUP
<ul style="list-style-type: none"> – 3i – Ashmore – Close Brothers – Henderson – ICAP – ICG – Investec Asset Management – Jupiter – M&G (Prudential) – Schroders – Tullett Prebon 	<ul style="list-style-type: none"> – Affiliated Managers – Apollo Investment – Artisan Partners – Carlyle – Eaton Vance – Federated Investors – Fortress Investment – Janus Capital – KKR – Legg Mason – Oaktree Capital – Waddell & Reed 	<ul style="list-style-type: none"> – AKO – Arrowgrass – Brevan Howard – Bridgewater – Capula – Cheyne – Citadel – Egerton – Lansdowne Partners – Two Sigma – Winton

2.7 Shareholder voting and engagement

At the AGMs held on 8 May 2015 and 6 May 2016, votes cast by proxy and at the meetings in respect of directors' remuneration were as follows:

TABLE R1

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approve the annual report on remuneration ¹	640,365,505	60.38%	420,132,535	39.62%	1,060,498,040	77,479,290
Approve the directors' remuneration policy ²	591,048,110	57.16%	442,929,218	42.84%	1,033,977,328	12,680,269

Notes:

1 At the AGM on 6 May 2016

2 At the AGM on 8 May 2015.

Details of the reasons behind the significant percentage of votes cast against these resolutions and actions taken by the Committee in response are provided in the Chairman's annual statement on pages 64 and 65.

REMUNERATION OUTCOMES IN 2016

2.8 Single total figure of remuneration for executive directors

The table below sets out a single figure for the total remuneration received by each director for the year ended 31 December 2016 and the prior year.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

TABLE R2

All figures in USD	Executive Directors				Former Executive Director	
	Luke Ellis ¹		Jonathan Sorrell		Emmanuel Roman ^{1,2}	
	2016	2015 ³	2016	2015	2016	2015
Salary	366,667	–	750,000	718,750 ⁴	733,333	1,000,000
Taxable benefits ⁵	1,095	–	3,286	2,553	85,997	60,292
Short-term variable ⁶	441,834	–	856,875	1,796,875	–	2,500,000
Long-term variable ⁷	488,950	–	1,136,625	1,194,922	–	1,662,500
Pension benefits ⁸	48,080	–	93,006	89,421	88,502	142,538
Other ⁹	596	–	1,787	1,880	1,786	1,880
Total	1,347,222	–	2,841,579	3,804,401	909,618	5,367,210

1 Emmanuel Roman stepped down from the Board and as Chief Executive Officer with effect from 31 August 2016. Luke Ellis was appointed to the Board and as Chief Executive Officer with effect from 1 September 2016. Remuneration for 2016 has been pro-rated accordingly.

2 Emmanuel Roman was a non-executive director of Grupo Prisa S.A. until 25 March 2015 when he stepped down from this position. For 2015, he received fees of €31,125 (€7,500 was awarded as shares) in respect of this directorship. He was appointed to the Board of Société Générale S.A. as an independent director with effect from 18 May 2016. For 2016, he received fees of €33,263. The figures in Table R2 do not include the fees from either Grupo Prisa S.A. or Société Générale S.A.

3 Luke Ellis was appointed as an executive director of Man Group plc on 1 September 2016. Accordingly, the remuneration that he received for the financial year ended 31 December 2015 has not been disclosed.

4 Pro-rata requirement based on Jonathan Sorrell's base salary increase to \$750,000 p.a. with effect from 1 April 2015.

5 Taxable benefits comprise private medical insurance and gym membership subsidy. The amount for Emmanuel Roman includes the cost of a medical policy renewed annually in June each year.

6 See tables R3 and R4 for details of the short-term variable remuneration.

7 Long-term variable remuneration is subject to deferral under the Deferred Executive Incentive Plan. Please refer to Tables R5 to R8 for further information.

8 Pension benefits are paid into the Man Group Self-Invested Personal Pension with any contributions exceeding the annual or lifetime allowance paid as cash on a cost neutral basis to the Company.

9 'Other' refers to non-taxable benefits (including life insurance and Group income protection).

Directors' Remuneration report continued

2.9 Short-term annual bonus in respect of 2016 performance

The short-term annual cash bonus is based on the Committee's assessment of executive directors' performance against objectives agreed by the Board at the beginning of the year, split 75% based on quantitative metrics and 25% on qualitative performance. Tables R3 and R4 show the results of this assessment for 2016.

LUKE ELLIS (AUDITED)

TABLE R3

Assessment Category	Measure	Weighting	Threshold (25% of max)	Target (50% of max)	Maximum (100% of max)	Outcome	% achieved	Bonus outcome, after weighting (% of maximum)
P&L Performance & Sales	Increase in net flows	21.67%	0%	2%	5%	2.4%	56.7%	12.3%
	Adjusted management fee PBT	21.67%	\$167m	\$185m	\$203m	\$178m	40.3%	8.7%
	Adjusted PBT (including performance fees)	21.67%	\$242m	\$285m	\$403m	\$205m	0.0%	0.0%
Financial Health	AHL asset weighted performance vs BTOP 50	2.5%	0.0%	1.0%	2.0%	2.5%	100.0%	2.5%
	GLG: asset weighted alternative composite vs HFRX sub-sector weighted index	2.5%	0.0%	1.0%	2.0%	0.5%	37.5%	0.9%
	Numeric: asset weighted performance vs benchmark	2.5%	0.0%	1.0%	2.0%	1.4%	70.0%	1.8%
	FRM: FRM Equity Alpha vs HFRI fund of funds conservative index	2.5%	0.0%	1.0%	2.0%	-10.2%	0.0%	0.0%
	TOTAL FINANCIAL METRICS	75%						26.2%
Strategy, Structure and People		10%	Qualitative assessment (see below)					10.0%
Risk, Compliance and Reputation		10%	Qualitative assessment subject to achievement of two qualifying hurdles: – manage within VaR limit (\$75m) – no material regulatory disclosure (see below)				Passed Passed	9.5%
External Stakeholder Engagement		5%	Qualitative assessment (see below)					2.5%
TOTAL NON-FINANCIAL METRICS		25%						22.0%
PERCENTAGE OF SHORT-TERM ANNUAL BONUS AWARDED								48.2%
PERCENTAGE OF SALARY APPLIED (REDUCED FROM MAXIMUM 300%)								250%
ACTUAL AWARD AS A PERCENTAGE OF MAXIMUM OPPORTUNITY								40.2%
QUANTUM OF AWARD								\$441,834

Assessment of performance against qualitative objectives

Category	Achievements
Strategy, Structure and People	<ul style="list-style-type: none"> Seamless CEO transition with continued implementation of Man's strategy, as evidenced by Aalto acquisition announcement in October 2016, immediately following CEO's appointment. New senior management team put in place, achieved entirely from promoting internal talent and completed within three months of appointment demonstrating the strength of succession planning. Focus on cost efficiencies facilitates 2017 fixed cost reductions while also allowing investment in growth areas of the business.
Risk, Compliance and Reputation	<ul style="list-style-type: none"> Creation of Chief Administrative Officer role has further strengthened the Group's control focus – bringing together legal, compliance, operational and technology functions, and reporting directly to the CEO. Seed book managed within VaR limit and no material regulatory disclosures in 2016.
External Stakeholder Engagement	<ul style="list-style-type: none"> Positive response and commentary from shareholders, regulators, clients and other stakeholders to CEO transition. Extensive schedule of industry events and media engagement since appointment with the aim of enhancing Man's reputation. Greater engagement with regulators, including sector head at our lead regulator.

JONATHAN SORRELL (AUDITED)

TABLE R4

Assessment Category	Measure	Weighting	Threshold (25% of Max)	Target (50% of max)	Maximum (100% of max)	Outcome	% achieved	Bonus outcome, after weighting (% of maximum)
P&L Performance & Sales	Increase in net flows	21.67%	0%	2%	5%	2.4%	56.7%	12.3%
	Adjusted management fee PBT	21.67%	\$167m	\$185m	\$203m	\$178m	40.3%	8.7%
	Adjusted PBT (including performance fees)	21.67%	\$242m	\$285m	\$403m	\$205m	0.0%	0.0%
Financial Health	AHL asset weighted performance vs BTOP 50	2.5%	0.0%	1.0%	2.0%	2.5%	100.0%	2.5%
	GLG: asset weighted alternative composite vs HFRX sub-sector weighted index	2.5%	0.0%	1.0%	2.0%	0.5%	37.5%	0.9%
	Numeric: asset weighted performance vs benchmark	2.5%	0.0%	1.0%	2.0%	1.4%	70.0%	1.8%
	FRM: FRM Equity Alpha vs HFRI fund of funds conservative index	2.5%	0.0%	1.0%	2.0%	-10.2%	0.0%	0.0%
TOTAL FINANCIAL METRICS		75%						26.2%
Strategy, Structure and People		10%	Qualitative assessment (see below)					9.0%
Risk, Compliance and Reputation		10%	Qualitative assessment subject to achievement of two qualifying hurdles: – manage within VaR limit (\$75m) – no material regulatory disclosure (see below)					8.0%
External stakeholder engagement		5%	Qualitative assessment (see below)					2.5%
TOTAL NON-FINANCIAL METRICS		25%						19.5%
PERCENTAGE OF SHORT-TERM ANNUAL BONUS AWARDED								45.7%
PERCENTAGE OF SALARY APPLIED (REDUCED FROM MAXIMUM 300%)								250%
ACTUAL AWARD AS A PERCENTAGE OF MAXIMUM OPPORTUNITY								38.1%
QUANTUM OF AWARD								\$856,875

Assessment of performance against qualitative objectives

Category	Achievements
Strategy, Structure and People	<ul style="list-style-type: none"> – Successful launch of Man Global Private Markets with the announcement of the Aalto acquisition following an eighteen month search process to identify the right business and negotiate attractive terms. – 2016 fixed compensation and non-compensation costs delivered below guidance. – Reduction in size of Revolving Credit Facility reflecting lower liquidity needs of the business and reducing future financing costs.
Risk, Compliance and Reputation	<ul style="list-style-type: none"> – Improved automation of financial controls during the year reducing the risk from manual processes. – Seed book managed within VaR limit and no material regulatory disclosures in 2016.
External Stakeholder Engagement	<ul style="list-style-type: none"> – Continued investor relations programme to communicate Man's business to existing and prospective shareholders.

Directors' Remuneration report continued

2.10 Long-term deferred bonus under the Deferred Executive Incentive Plan ('DEIP')

The long-term deferred bonus plan awards are determined by an assessment against a balanced scorecard of performance criteria for each executive director, with 80% determined by financial criteria and 20% non-financial criteria. Tables R5 to R7 show the result of this assessment for the awards to be granted in 2017. For the financial metrics, performance is normally measured against Man's financial KPIs for each of the three preceding reporting years (2014, 2015 and 2016) and then averaged. Additional information on Man's financial KPIs is set out on pages 16 and 17. The non-financial metric is normally assessed over the three-year performance period. For Luke Ellis, performance is measured based on the 2016 reporting year so that he is only rewarded for performance to which he has contributed as an executive director.

LONG-TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER FINANCIAL KPIS (AUDITED) – LUKE ELLIS

TABLE R5A

Measure	Performance targets ¹		Actual performance		Percentage of target achieved	Weighting	Bonus outcome, after weighting
	Threshold	Maximum		2016			
1. Investment performance	n/a		AHL	✓	50.0%	25%	12.5%
			GLG	×			
			FRM	×			
	Proportion of 4 investment managers having net performance > benchmark		Numeric	✓			
2. Net flows	0%	10%		2.4%	24.0%	25%	6.0%
3. Adjusted management fee EBITDA margin	25%	40%		26.1%	7.3%	15%	1.1%
4. Adjusted management fee EPS growth	RPI + 0%	RPI + 20%		-14.3%	0.0%	15%	0.0%
Percentage achieved under financial KPIs (maximum of 80%)							19.6%

LONG-TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER FINANCIAL KPIS (AUDITED) – JONATHAN SORRELL

TABLE R5B

Measure	Performance targets ¹		Actual performance				Average over 3 year performance period	Percentage of target achieved	Weighting	Bonus outcome, after weighting
	Threshold	Maximum	2014 ²	2015	2016					
1. Investment performance	n/a	AHL	✓	×	✓	Achieved 2 out of 4	50.0%	25%	12.5%	
		GLG	×	✓	×					
		FRM	×	✓	×					
	Proportion of 4 investment managers having net performance > benchmark	Numeric	–	✓	✓					
2. Net flows	0%	10%	6.1%	0.4%	2.4%	3.0%	30.0%	25%	7.5%	
3. Adjusted management fee EBITDA margin	25%	40%	30.3%	27.2%	26.1%	27.9%	19.3%	15%	2.9%	
4. Adjusted management fee EPS growth	RPI + 0%	RPI + 20%	26.2%	-0.2%	-14.3%	3.9%	19.5%	15%	2.9%	
Percentage achieved under financial KPIs (maximum of 80%)										25.8%

¹ To the extent the actual performance is between the threshold and maximum targets for net flows, adjusted management fee EBITDA margin and adjusted management fee EPS growth KPIs, the criteria is met proportionally.

² Three investment managers (AHL, GLG and FRM) were used to assess investment performance in 2014. Numeric was added as a fourth investment manager in 2015.

Comments on 2016 performance against financial KPIs:

1. Investment performance

In 2016, AHL and Numeric both beat their respective benchmarks whereas GLG and FRM did not. This performance was replicated over the three year performance period such that two investment managers, AHL and Numeric, beat their respective benchmarks over the full performance period.

2. Net flows

In 2016, the Group saw solid net inflows, which was a good result in challenging market conditions.

3. Adjusted management fee EBITDA margin

In 2016, the adjusted management fee EBITDA margin was within the target range, albeit slightly lower than in 2015 as a result of the continued mix shift to lower margin institutional assets and the decline in the Group's overall net management fee margin.

4. Adjusted management fee EPS growth

In 2016, the adjusted management fee EPS growth was negative compared to RPI, as a result of the lower management fee revenue. This is due to the decline in the Group's overall net management fee margin, partially offset by lower costs.

LONG-TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER NON-FINANCIAL KPI (AUDITED)**TABLE R6**

	Luke Ellis	Jonathan Sorrell
Culture and Talent – Percentage achieved under non-financial KPI (maximum of 20%)	18.5%	17.5%

Building on the foundations laid in the previous three years, as covered in detail in the 2015 DRR, the Committee considered the following areas of particular progress in 2016 in determining the outcome overall:

- Client relationships strengthened with particular progress in North America, helping to reduce Group redemption rate year on year to 25%.
- Positive engagement with our global regulators and no material regulatory disclosures during 2016.
- Effective succession planning is in place; new senior management team put in place and achieved entirely from promoting internal talent and completed within three months of the change of CEO.
- Continued ability to recruit and retain high quality talent, maintained voluntary turnover at less than 10% in 2016; further detail set out on page 41.
- Strong results from graduate programme as junior talent move through the firm; decision to broaden the programme further to build on this success.
- Range of programmes to find and develop diverse talent including Female Returner programme, female only intake for the 2016 High Potential Mentoring programme and partnerships with SEO London and City Gateway.

LONG-TERM DEFERRED BONUS – AGGREGATE ACHIEVEMENT UNDER FINANCIAL AND NON-FINANCIAL KPIS (AUDITED)**TABLE R7**

	Luke Ellis	Jonathan Sorrell
Financial KPIs	19.6%	25.8%
Non-financial KPI	18.5%	17.5%
Total percentage achieved	38.1%	43.3%
Percentage of salary applied (reduced from maximum 467% ¹)	350%	350%
Actual award as a percentage of maximum opportunity	28.6%	32.5%

- 1 The maximum opportunity approved by shareholders at the 2015 AGM was 525% of salary, for awards made in respect of performance in the period 2015 to 2017, with the potential opportunity increasing progressively to ensure the increase did not apply retrospectively. The Committee has determined that it will never use the 525% approved maximum and a revised maximum of 467% will now apply.

Quantum of award:

Luke Ellis	\$488,950
Jonathan Sorrell	\$1,136,625

SCHEME INTERESTS TO BE AWARDED UNDER THE DEFERRED EXECUTIVE INCENTIVE PLAN (DEIP) IN RELATION TO 2016 (AUDITED)**TABLE R8**

Executive director	Award (% of maximum opportunity ¹)	Award value ² (USD)	End of holding period date
Luke Ellis ³	28.6%	\$488,950	Mar-22
Jonathan Sorrell	32.5%	\$1,136,625	Mar-22

- 1 Please see Note 1 in Table R7 for further details of the maximum opportunity for 2016.
- 2 The awards to be made in 2017 in respect of the financial year ended 31 December 2016 are calculated according to performance against a balanced scorecard, as shown in Tables R5 and R6. The monetary value of these awards will be converted into a number of shares using the USD/GBP rates and mid-market share price quoted on the award date. The awards will be granted as conditional awards of shares and will vest three to five years after grant, subject to the DEIP rules. Details of awards made under the DEIP in relation to performance in 2013, 2014 and 2015 can be found in Table R16.
- 3 Luke Ellis will also receive an award under the DSP, relating to the period prior to his appointment as an executive director

Directors' Remuneration report continued

2.11 Single total figure of remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 December 2016 and the prior year.

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

TABLE R9

All figures in GBP	Total fees	
	2016	2015
Lord Livingston of Parkhead ¹	325,038	–
Jon Aisbitt ²	158,654	450,000
Richard Berliand ³	81,231	–
Phillip Colebatch ⁴	108,622	112,789
John Cryan ⁴	65,000	69,423
Andrew Horton	80,000	80,000
Matthew Lester	95,000	95,000
Dev Sanyal	80,000	80,000
Nina Shapiro	75,000	75,000

- 1 Lord Livingston of Parkhead was appointed to the Board and a member of the Audit & Risk Committee, Nomination Committee and Remuneration Committee on 1 January 2016. He was appointed as Chairman on 6 May 2016 following the Company's 2016 AGM, at which time he stood down as a member of the Audit & Risk Committee in order to comply with the provisions of the UK Corporate Governance Code.
- 2 Jon Aisbitt retired from the Board and as Chairman of Man Group plc on 6 May 2016 following the Company's 2016 AGM. His remuneration for 2016 has been pro-rated accordingly.
- 3 Richard Berliand was appointed to the Board on 19 January 2016 and as Chairman of the Remuneration Committee following the 2016 AGM. His remuneration for 2016 has been pro-rated accordingly.
- 4 John Cryan was appointed a member of the Board and Remuneration Committee on 15 January 2015 and became Chairman of the Remuneration Committee in succession to Phillip Colebatch with effect from the end of the 2015 AGM on 8 May. He stood down as a member and Chairman of the Committee with effect from 1 July 2015 following his appointment as co-CEO (now CEO) of Deutsche Bank. Phillip Colebatch resumed the Chairmanship of the Committee from that date until Richard Berliand's appointment on 6 May 2016.

2.12 Percentage change in CEO remuneration

The table below sets out the percentage change in remuneration for the CEO and staff.

PERCENTAGE CHANGE IN CEO REMUNERATION

TABLE R10

	CEO ¹		All Staff	
	2016	2015	% change	% change ²
	All figures in \$'000s			
Salary	1,100	1,000	10	3 ³
Taxable benefits	3	60	-95	17
Short-term variable	1,326	2,500	-47	-24 ⁴

- 1 Figures for the CEO for 2016 are taken from the disclosure in Table R2 and then annualised for the full year in order to enable comparison.
- 2 Figures are calculated on a per capita basis.
- 3 Represents the average increase in salary in underlying currency in which each employee is paid.
- 4 For staff, short-term variable remuneration includes both variable cash compensation and deferred awards relating to the current year.

2.13 Relative importance of spend on pay

The table below shows the year-on-year change in total employee expenditure compared to the change in shareholder distributions.

RELATIVE IMPORTANCE OF SPEND ON PAY

TABLE R11

	2016 \$m	2015 \$m	% change
Total employee expenditure ¹	388	462	-16%
Shareholder distributions ²	193	369	-48%

- 1 Remuneration paid to or receivable by all employees (i.e. accounting cost). Refer to Note 5 to the financial statements for further details.
- 2 Distributions to shareholders (dividends paid of \$158 million and repurchase of shares of \$35 million in 2016).

2.14 Review of past performance

The performance graphs below compare the Company's total shareholder return performance against the FTSE 350 Financial Services Index. The graphs cover both the required reporting period (Table R12a) and the three-year period ending December 2016 over which the DEIP is measured (Table R12b). Man Group operates in the alternative investment management sector and is listed on the FTSE 250 Index on the London Stock Exchange. The FTSE 350 Financial Services Index has been chosen as it is the most appropriate comparator to cover a period when Man has been in both the FTSE 100 and FTSE 250. The majority of Man Group's direct competitors are unlisted and equivalent information for these firms is not available.

TABLE R12a

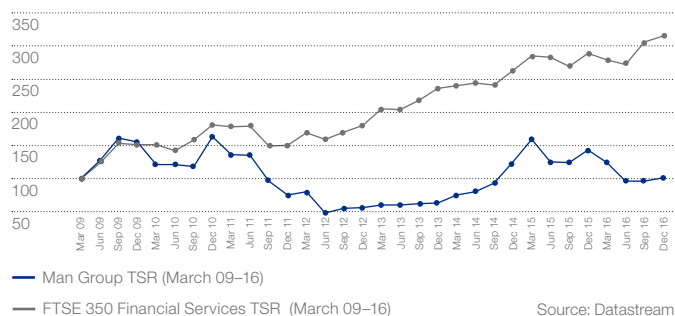
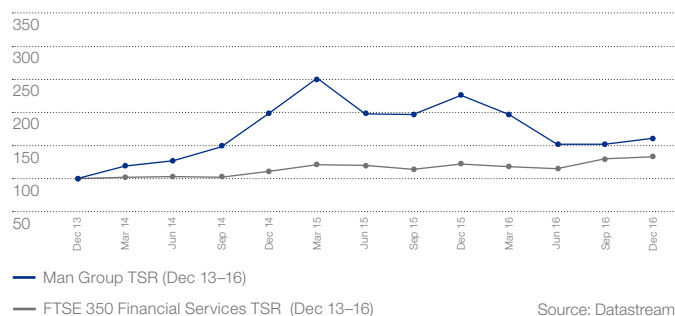


TABLE R12b



HISTORICAL CEO REMUNERATION

TABLE R13

Accounting period ended		31 March 2010	31 March 2011 ¹	31 December 2011 ²	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016
CEO single figure (\$'000s)	L Ellis ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,347
	E Roman ³	n/a	n/a	n/a	n/a	3,397	5,068	5,367	910
	P Clarke ³	6,299	8,173	6,437	1,048	978	n/a	n/a	n/a
Short-term variable award (as a percentage of maximum opportunity) ⁴	L Ellis ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	40.2%
	E Roman ³	n/a	n/a	n/a	n/a	70%	100%	83.3%	n/a
	P Clarke ³	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
Long-term variable award (as a percentage of maximum opportunity) ⁴	L Ellis ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.6%
	E Roman ³	n/a	n/a	n/a	n/a	17%	40%	40.7%	n/a
	P Clarke ³	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a

1 Salary and benefits are for 12 months and bonus for 9 months.

2 Salary and benefits are for 9 months and bonus for 12 months.

3 Peter Clarke stepped down as CEO with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013. Emmanuel Roman became CEO on 28 February 2013 and stepped down on 31 August 2016. Luke Ellis was appointed CEO on 1 September 2016. Figures have been pro-rated accordingly.

4 For the accounting periods ended up to and including 31 December 2012, as there was no cap on the overall maximum bonus awards, the percentage of maximum opportunity is not shown.

2.15 Payments for loss of office and payments to past directors (audited)

There were no remuneration payments made for loss of office or remuneration payments made to former executive directors during the year.

Emmanuel Roman stepped down from the Board with effect from 31 August 2016. Under the DEIP plan rules he forfeited all unvested awards previously granted to him (further details of which can be found in Table R16) and he was not eligible for any variable compensation in respect of 2016.

During the year, the Deferred Bonus Share and Option Plan (DBSOP) option granted to Peter Clarke in 2012 over 2,636,163 shares lapsed. Only the DBSOP option granted to Peter Clarke in 2010 (as reported under Table R19 in the annual report on remuneration for the financial year ended 31 December 2013) remains outstanding. No further disclosure in respect of this option will be made until such time as the option is exercised or lapses.

Directors' Remuneration report continued

2.16 Directors' interests

DIRECTORS' INTERESTS IN SHARES OF MAN GROUP PLC (AUDITED)

TABLE R14

	Number of ordinary shares ¹ 31 December 2016 ²	Number of ordinary shares ¹ 31 December 2015
Executive directors		
Luke Ellis ³	1,741,020	–
Emmanuel Roman ³	18,745,969 ⁴	18,745,969
Jonathan Sorrell	598,729	596,061
Non-executive directors		
Lord Livingston of Parkhead ⁵	33,138	–
Jon Aisbitt	1,681,251 ⁶	1,681,251
Richard Berliand ⁷	50,000	–
Phillip Colebatch	10,000	10,000
John Cryan ⁸	–	–
Andrew Horton	50,000	50,000
Matthew Lester	22,692	22,692
Dev Sanyal	71,062	67,191
Nina Shapiro	28,258	28,258

1 All of the above interests are beneficial.

2 There has been no change in the directors' interests in the ordinary shares of Man Group plc from 31 December 2016 up to 28 February 2017, being the latest practicable date prior to the publication of this report.

3 Luke Ellis was appointed to the Board as CEO on 1 September 2016. Emmanuel Roman stepped down from the Board on 31 August 2016.

4 Shareholding as at 31 August 2016, the date on which Emmanuel Roman stepped down from the Board.

5 Lord Livingston of Parkhead was appointed to the Board as a non-executive director on 1 January 2016 and became Chairman on 6 May 2016.

6 Shareholding as at 6 May 2016, the date on which Jon Aisbitt stepped down from the Board.

7 Richard Berliand was appointed to the Board as a non-executive director on 19 January 2016.

8 John Cryan was appointed to the Board as a non-executive director on 15 January 2015.

The market price of the Company's shares at the end of 31 December 2016 was 118.3 pence. The highest and lowest daily closing share prices during the 12-month financial period were 172.0 pence and 107.3 pence respectively.

EXECUTIVE DIRECTORS' SHAREHOLDINGS MEASURED AGAINST THEIR RESPECTIVE SHAREHOLDING REQUIREMENT AS AT 31 DECEMBER 2016

TABLE R15

Executive directors	Shares owned outright ¹	Value of shareholding ² (USD)	Annual Salary (USD)	Shareholding requirement as a % of salary	Current shareholding as a % of salary	Requirement met?
Luke Ellis	1,741,020	2,545,081	1,100,000	200%	231%	Yes
Jonathan Sorrell	598,729	875,242	750,000	100%	117%	Yes
Former executive director						
Emmanuel Roman	18,745,969 ³	26,771,130	1,100,000	200%	2,434%	Yes

1 Details of unvested share awards can be found in Tables R16 to R20.

2 Shareholding for Luke Ellis and Jonathan Sorrell valued at 31 December 2016 share price of £1.1830 and an exchange rate £1 = \$1.2357. Shareholding for Emmanuel Roman valued at 31 August 2016 share price of £1.0870 and an exchange rate £1 = \$1.3138, being the date that he stepped down from the Board.

3 Shareholding as at 31 August 2016, the date on which Emmanuel Roman stepped down from the Board.

Directors' interests in shares and options under Man Group long-term incentives

CONDITIONAL SHARE AWARDS UNDER THE DEFERRED EXECUTIVE INCENTIVE PLAN (DEIP)¹ – SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R16**

Executive director	Date of grant	1 January 2016	Granted during year ²	Dividends accruing ³	Lapsed during year ⁴	31 December 2016
Emmanuel Roman	Mar-14 ⁵	386,666	—	22,710	409,376	—
	Mar-15 ⁶	507,165	—	29,787	536,952	—
	Mar-16 ⁷	—	769,453	20,370	789,823	—
Jonathan Sorrell	Mar-14 ⁵	241,664	—	14,191	—	255,855
	Mar-15 ⁶	316,977	—	18,618	—	335,595
	Mar-16 ⁷	—	553,044	32,481	—	585,525

- 1 The Company's obligations for the conditional awards granted under the DEIP are hedged by the Employee Trust.
- 2 The award values of \$1,662,500 and \$1,194,922 for Emmanuel Roman and Jonathan Sorrell respectively included in Table R8 in the DRR for the financial year ended 31 December 2015 were converted into the number of shares shown above using the GBP/USD rate of £1=\$1.4224 and a share price of £1.5190, being the mid-market share price on 10 March 2016. These awards attract dividend accruals. Further details of the Deferred Executive Incentive Plan can be found in section 2.10 of this report.
- 3 On 13 May 2016 dividend accruals of 44,031 and 29,427 shares were added to Emmanuel Roman and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.40 pence. On 31 August 2016, dividend accruals of 28,836 and 35,863 shares were added to Emmanuel Roman and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.43 pence.
- 4 Emmanuel Roman stepped down from the Board with effect from 31 August 2016. Under the rules of the 2013 Man Group plc Deferred Executive Incentive Plan, awards granted in March 2014 and March 2015 lapsed on 31 August 2016. DEIP awards granted in March 2016 lapsed on 20 July 2016 being the date his intention to step down from the Board was announced.
- 5 Award vests in three equal instalments in March 2017, March 2018 and March 2019.
- 6 Award vests in three equal instalments in March 2018, March 2019 and March 2020.
- 7 Award vests in three equal instalments in March 2019, March 2020 and March 2021.

CONDITIONAL SHARE AWARD UNDER THE DEFERRED BONUS SHARE AND OPTION PLAN (DBSOP)¹ – SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R17**

Executive director	Date of grant	1 January 2016	Exercised during period	31 December 2016	Exercise date
Jonathan Sorrell	Mar-13	1,213,987	1,213,987	—	Mar-16

- 1 The Company's obligations for conditional awards granted under the DBSOP were hedged by the Employee Trust.

OPTIONS GRANTED UNDER THE MAN GROUP DEFERRED SHARE PLAN – NOT SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R18**

Executive director	Date of grant	Appointment date	Exercised during period	31 December 2016	Option exercise price	Latest exercise date
		1 September 2016				
Luke Ellis ¹	Deferred Share Plan (KEOP)	Nov-10	744,327	—	744,327	319.88p
		Mar-11	407,463	—	407,463	267.08p

- 1 Luke Ellis was granted KEOP options under the Deferred Share Plan prior to his appointment as a director.

Directors' Remuneration report continued

OPTIONS GRANTED UNDER THE MAN GROUP DEFERRED SHARE AND FUND PRODUCT PLANS – SUBJECT TO SERVICE CONDITIONS (AUDITED)

TABLE R19

Executive director		Date of grant	Appointment date	Exercised during period	31 December 2016	Transfer/earliest exercise date	Latest exercise date
			1 September 2016				
Luke Ellis ¹	Deferred Share Plan (DSP)	Mar-11	64,902	64,902	–	Oct-16	n/a
		Mar-12	413,589	413,589	–	Oct-16	n/a
		Mar-13	293,035	293,035	–	Oct-16	n/a
		Mar-14	335,157	335,157	–	Oct-16	n/a
		Mar-14	181,405	–	181,405	Mar-17	Mar-24
		Mar-15	134,337	134,337	–	Oct-16	n/a
		Mar-15	142,227	–	142,227	Mar-17	Mar-25
		Mar-15	142,228	–	142,228	Mar-18	Mar-25
		Mar-15	346,358	–	346,358	Mar-20	Mar-25
		Mar-16	157,211	–	157,211	Mar-17	Mar-26
		Mar-16	157,211	–	157,211	Mar-18	Mar-26
		Mar-16	157,213	–	157,213	Mar-19	Mar-26
	Fund Product Plan (FPP) ²	Mar-11	276	–	276	Mar-12	Mar-21
		Mar-11	276	–	276	Mar-13	Mar-21
		Mar-11	277	–	277	Mar-14	Mar-21
		Mar-13	1,602	–	1,602	Mar-14	Mar-17
		Mar-13	1,602	–	1,602	Mar-16	Mar-17
		Mar-14	1,536	–	1,536	Mar-16	Mar-18
		Mar-14	1,536	–	1,536	Mar-17	Mar-18
		Mar-15	2,442	–	2,442	Mar-16	Mar-19
		Mar-15	2,442	–	2,442	Mar-17	Mar-19
		Mar-15	2,442	–	2,442	Mar-18	Mar-19
		Mar-16	149,447	–	149,447	Mar-17	Mar-20
		Mar-16	149,447	–	149,447	Mar-18	Mar-20
		Mar-16	149,447	–	149,447	Mar-19	Mar-20

1. Luke Ellis was granted nil-cost options under the Deferred Share Plan and Fund Product Plan schemes prior to his appointment as a director

2. Award granted over a number of fund units in various funds.

OPTIONS GRANTED UNDER THE MAN GROUP SHARESAVE SCHEME (AUDITED)

TABLE R20

Executive director	Date of grant	Number of options			Option price	Earliest exercise date	Latest exercise date
		1 January 2016	Granted during year	31 December 2016			
Luke Ellis	Jun-11	7,561	–	7,561	204.0p	Aug-16	Jan-17
	Sep-14	16,833	–	16,833	90.0p	Oct-19	Mar-20
Jonathan Sorrell	Aug-12	23,076	–	23,076	65.0p	Oct-17	Mar-18
	Sep-14	16,833	–	16,833	90.0p	Oct-19	Mar-20

2.17 Retirement benefits

Luke Ellis and Jonathan Sorrell are not eligible for any defined benefits under the Man Group plc Pension Plan.

IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY FOR 2017

2.18 Base salary

Salaries are reviewed annually following the year-end taking into account market benchmarks for executives of comparable status, responsibility and skill.

BASE SALARY OF EXECUTIVE DIRECTORS

TABLE R21

Base salary at	Luke Ellis	Jonathan Sorrell	Mark Jones
1 January 2016 ¹	–	\$750,000	–
1 January 2017	\$1,100,000	\$750,000	\$575,000

1 Luke Ellis and Mark Jones were not executive directors of Man Group plc on 1 January 2016 and, therefore, their salary as at this date has not been disclosed.

2.19 Short-term annual cash bonus for 2017

The objectives for the 2017 bonus set by the Committee are around:

- i. Strategy, Structure and People
- ii. P&L Performance and Sales
- iii. Financial Health
- iv. Risk, Compliance and Reputation
- v. External Stakeholder Engagement

The following table shows the performance metrics and weightings for the short-term annual cash bonus in 2017

Metrics	Sub-weighting	Overall Weighting %
Strategy, Structure and People		10%
– Qualitative assessment		
P&L Performance & Sales		65%
– Increase in net flows	1/3	
– Adjusted Management fee PBT	1/3	
– Adjusted PBT (including performance fees)	1/3	
Financial Health		10%
– AHL: asset weighted performance vs BTOP 50	1/4	
– GLG: asset weighted alternative composite vs HRFX sub-sector weighted index	1/4	
– Numeric: asset weighted performance vs benchmark	1/4	
– FRM: equity alpha vs HRFI fund of funds conservative index	1/4	
Risk, Compliance and Reputation		10%
– Qualitative assessment, subject to achieving 2 hurdles		
i. Manage within VaR limit (\$75m)		
ii. No material regulatory censure		
External Stakeholder Engagement		5%
– Qualitative assessment		
Financial: Non-financial		75%:25%

The Remuneration Committee considers that the disclosure of detailed performance targets for 2017 would be commercially sensitive and they are not, therefore, disclosed here. It is the intention of the Committee to disclose them in the Report for the year ended 31 December 2017.

Directors' Remuneration report continued

2.20 Long-term deferred bonus for 2017 performance under the Deferred Executive Incentive Plan

The KPIs and thresholds that will be used to measure performance are set out below.

BALANCED SCORECARD OF FINANCIAL AND NON-FINANCIAL METRICS¹

TABLE R22

Financial KPIs	Definition	Target
Investment performance (25%)	<ul style="list-style-type: none"> Measure net performance of four managers (represented by key funds) vs. respective benchmarks. Key funds/benchmark: <ul style="list-style-type: none"> Man AHL Diversified/two of three competitors. Numeric asset-weighted net return/composite benchmark. GLG Alternative Strategies Dollar Weighted Composite/HFRX. FRM Diversified II/HFRI FoF: Conservative Index. 	<ul style="list-style-type: none"> Relevant period: performance is measured over the reporting year (first to last trading days of the year). Criteria type: binary outcome. Criteria for each fund over the relevant period: <ul style="list-style-type: none"> If Net Performance \leq Benchmark Performance, criteria is not met. If Net Performance $>$ Benchmark Performance, criteria is met. Weighting: each fund is ascribed a 1/4 weighting
Net flows (25%)	<ul style="list-style-type: none"> Measure net FUM flows annually. Net Flows are defined as, over a reporting year: <ul style="list-style-type: none"> (Gross Sales – Redemptions)/Start of Year FUM, expressed in %. 	<ul style="list-style-type: none"> Relevant period: net flows are measured over the reporting year. Criteria type: sliding scale. Criteria for the relevant period: <ul style="list-style-type: none"> If Net Flows \leq 0%, criteria is not met. If Net Flows \geq 10%, criteria is met in full. If 0% $<$ Net Flows $<$ 10%, criteria is met proportionally.
Adjusted² management fee EBITDA margin (15%)	<ul style="list-style-type: none"> Measure management fee EBITDA margin. Adjusted management fee EBITDA margin defined as, over a reporting year, adjusted management fee EBITDA/Net Revenues. 	<ul style="list-style-type: none"> Relevant period: Adjusted management fee EBITDA margin is measured over the reporting year. Criteria type: sliding scale. Criteria for the relevant period: <ul style="list-style-type: none"> If adjusted management fee EBITDA margin \leq 25%, criteria is not met. If adjusted management fee EBITDA margin \geq 40%, criteria is met in full. If 25% $<$ adjusted management fee EBITDA margin $<$ 40%, criteria is met proportionally.
Adjusted² management fee EPS growth (15%)	<ul style="list-style-type: none"> Measure adjusted management fee EPS growth, i.e. growth in minimum ordinary dividend per share. Adjusted management fee EPS growth defined as: <ul style="list-style-type: none"> (Current Year Adjusted Management Fee EPS/Previous Year Adjusted Management Fee EPS) -1, expressed in %. 	<ul style="list-style-type: none"> Relevant period: Adjusted management fee EPS growth is measured over the reporting year. Criteria type: sliding scale. Criteria for the relevant period: <ul style="list-style-type: none"> If adjusted management fee EPS growth \leq 0% plus RPI, criteria is not met. If adjusted management fee EPS growth \geq 20% plus RPI, criteria is met in full. If 0% plus RPI, $<$ adjusted management fee EPS growth $<$ 20% plus RPI, criteria is met proportionally.
Non-financial metrics		
Culture and talent (20%)	<ul style="list-style-type: none"> Fostering a culture of effective dealings with all stakeholders. Building and retaining a collaborative, motivated and aligned senior management team. Having an appropriate succession plan in place for senior management. Attracting and retaining high quality staff motivated by appropriate, balanced incentives. 	

The Remuneration Committee will review the balanced scorecard of metrics prior to the start of each financial year and may amend them so that they remain appropriately challenging.

1 The performance period for 2018 awards will be different for each of the executive directors to match the period since their appointment; for Jonathan Sorrell it will be the three-year performance period 2015 to 2017, for Luke Ellis it will be the two-year period 2016 to 2017 and for Mark Jones it will be the one-year performance period 2017 only; performance will be assessed at the end of the 2017 financial year. For the financial metrics, performance will be measured for each of the years and then averaged. The non-financial metric is assessed over the relevant performance period.

2 Adjusting items are material items which are excluded by virtue of their size or nature in order to aid comparability from period to period and to show the underlying profitability of the business.

2.21 Non-executive director remuneration policy for 2017

There has been no increase in fees for the Chairman since his appointment in 2016, nor any increase for the role since 2007 or for non-executive directors since 2009. The Senior Independent Director fee increased from £10,000 p.a. to £15,000 p.a. with effect from 6 May 2016, being the date of the 2016 AGM.

NON-EXECUTIVE DIRECTORS' FEES FOR 2017

TABLE R23

Position (All figures in GBP)	2017	2016	% increase
Chairman of the Board	450,000	450,000	–
Board fee ¹	65,000	65,000	–
Senior Independent Director	15,000	13,276 ²	13
Audit and Risk Committee chair	30,000	30,000	–
Other Audit and Risk Committee members	15,000	15,000	–
Remuneration Committee chair	25,000	25,000	–
Other Remuneration Committee members	10,000	10,000	–

1 Includes Nomination Committee membership where appropriate.

2 Pro-rated to take account of the increase in fee with effect from 6 May 2016, the date of the 2016 AGM.

Unless otherwise stated, all information in the Directors' Remuneration report is unaudited.

For and on behalf of the Board

Richard Berliand

Remuneration Committee Chairman

1 March 2017

Directors' Remuneration report continued

3. DIRECTORS' REMUNERATION POLICY

3.1 Executive directors' remuneration policy

Aligning the interests of the executive directors with those of shareholders and with Man Group's strategic goals is central to Man Group's remuneration policy.

In line with shareholders' interests being managed within a robust governance framework, the Company aims to retain and incentivise high calibre executive directors by paying competitive base salary and benefits, together with a short-term annual bonus and a long-term deferred bonus linked to:

- profits and contribution;
- the achievement of individual objectives which are consistent with the strategy of the Company and building sustainable profitability;
- the achievement of long-term strategic KPIs in line with the long-term focus of the Company;
- the creation of long-term shareholder value;
- ongoing oversight of a robust risk management framework;
- maintenance of strong capital and liquidity positions; and
- addition of senior talent, building succession for leadership and setting a strong governance structure for the Board's delegated authorities.

This section of the report sets out the remuneration policy for executive and non-executive directors which shareholders approved at and which was effective from the 2015 AGM, on 8 May 2015. The remuneration policy has been included in this Annual Report in full (using updated data in the scenario charts and showing the revised lower DEIP maximum) to provide the context within which the Committee has conducted its work during the year and has been updated, since 2015, for the inclusion of clawback provisions in respect of incentive awards. The policy has also been updated to reflect the provisions contained in Luke Ellis' and Mark Jones' service contracts.

EXECUTIVE DIRECTORS' REMUNERATION POLICY

TABLE R24

Function	Operation	Opportunity	Performance metrics
Base salary Based on experience and individual contribution to leadership and Company strategy	Salaries are reviewed annually following the year-end taking into account market ranges for executives of comparable status, responsibility and skill in companies of similar size and complexity to Man with consideration also given to sector relevance.	There is no set maximum salary for executive directors. In reviewing salaries the Remuneration Committee takes into account company performance, salary increases below Board level, time since the last increase, market practice and total compensation opportunity.	Continued good performance.
Pension To provide an opportunity for executives to build up income on retirement	Group Personal Pension (GPP), or a similar contribution to an alternative arrangement is provided. For those exceeding HM Revenue & Customs pension allowances, cash allowances are provided at no additional cost to Man.	The maximum employer contribution is 20% of pensionable base salary.	None.
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed	Benefits include family private medical insurance, life assurance and permanent health insurance. Flexible benefits can be purchased from base salary. Other ad-hoc benefits such as relocation can be offered, depending on personal circumstances.	It is not anticipated that the total taxable benefits for any executive director will normally exceed 10% of salary.	None.
Sharesave To encourage UK-based employees to own Man Group shares	The Man Group Sharesave Scheme is an all-employee plan. The executive directors who participate in the Sharesave Scheme are granted options over Man shares and make monthly savings from their post-tax salary. Options are granted at a 20% discount to market price on the date of grant.	Savings capped at HM Revenue & Customs limits.	In accordance with HM Revenue & Customs requirements.

EXECUTIVE DIRECTORS' REMUNERATION POLICY CONTINUED

TABLE R24

Function	Operation	Opportunity	Performance metrics
Executive Incentive Plan <i>Short-term annual cash bonus</i> To incentivise and reward strong performance against annual financial and non-financial targets	Objectives are set at the start of the year. At the end of the year, the Remuneration Committee considers the extent to which these have been achieved and sets the award level. Awards are normally paid in cash. Clawback provisions apply for Gross Misconduct.	The maximum award is 300% of salary.	The bonus is based on the Remuneration Committee's assessment of executive directors' performance over a financial year against objectives, which cover: <ol style="list-style-type: none"> 1. Strategy, Structure and People 2. P&L Performance and Sales 3. Financial Health 4. Risk, Compliance and Reputation 5. External stakeholder engagement The outcome of performance against these objectives will be reported in the DRR for the financial year in consideration.
Executive Incentive Plan <i>Long-term deferred bonus</i> To engage and motivate senior management to deliver on KPIs and support implementation of the Company's strategy	Deferred shares are awarded subject to an assessment based on the three prior years' performance against financial and non-financial objectives set at the start of that three-year performance period. Performance is measured for each of the three reporting years and then averaged. Transitional arrangements of one, two and three-year performance periods will apply for new executive directors, to ensure that they do not receive an award based on performance pre-dating their hire. For any deferred shares awarded, the vesting period is set at a further three to five years after the end of the relevant performance period. This creates, with the performance and vesting periods combined, a total time horizon of six to eight years. During the three to five year vesting period, the value of any shares awarded will be fully aligned with and dependent on shareholder experience and value over that time. The number of shares subject to an award is increased by reference to any dividends paid between the grant and vesting date of an award. Such shares vest only when the shares subject to an award vest. Malus provisions may apply for misstatement or misconduct. Clawback provisions apply for Gross Misconduct.	The deferred awards will be determined in relation to performance measured against the balanced scorecard metrics set out in the performance metrics column. The maximum deferred award opportunity is 467% of salary, the Committee having decided in 2016 to reduce it from the maximum originally approved by shareholders of 525%.	Based on a balanced scorecard of performance criteria for each executive director. 80% of the award is based on financial criteria, comprising: <ul style="list-style-type: none"> – Investment performance 25% – Net flows 25% – Adjusted management fee EBITDA margin 15% – Adjusted management fee EPS growth 15% The remaining 20% of an award is based on the Remuneration Committee's assessment of performance against non-financial criteria including culture and talent. The Remuneration Committee initially assesses executive director performance against the metrics outlined above to determine the percentage of award earned for the performance period. It then has full discretion to decide the multiple of salary (between 0% up to the maximum set out in the Opportunity column) to which the percentage of award determined by the metrics should be applied. In deciding this multiple, it takes account of any performance issues not included in the DEIP metrics and any other relevant factors such as overall corporate performance, shareholder return and experience, internal relationships and the current public and private fund manager competitor landscape. Under no circumstances can the maximum set out in the Opportunity column be exceeded. The Remuneration Committee may adjust the weighting or definition of the above performance criteria from time to time, to reflect changes in strategic priorities.

Notes to the policy table:

In implementing the above remuneration policy, the Remuneration Committee shall have regard to all relevant legal and regulatory requirements, including the principles and provisions of the UK Corporate Governance Code, the UKLA Listing Rules, the Financial Conduct Authority Remuneration Code of practice on remuneration policies, the AIFM Remuneration Code, and to leading investor representative body guidelines (including the Investment Association, ISS and the PLSA).

Please note that any commitments made prior to, but due to be fulfilled after, the approval and implementation of the remuneration policy approved by shareholders will be honoured. In addition to the elements of remuneration detailed in the policy table, the Remuneration Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the UKLA Listing Rules (see details in the paragraph 'Approach to recruitment remuneration').

Directors' Remuneration report continued

3.2 Performance measures selection and approach to target-setting

Annual objectives are set according to immediate priorities identified by the Board and management and will be reviewed and adjusted annually to reflect changing priorities. The long-term performance metrics are in line with the long-term strategic focus of the Company and will be reviewed as required in line with any changes in strategic direction.

3.3 Differences between executive directors' and employees' remuneration

Executive Committee members are eligible to participate in the Executive Incentive Plan alongside executive directors to align the remuneration of the most senior management. However, in line with market practice in alternative investment funds, their incentive payouts are uncapped.

Employee remuneration includes base salary, benefits, an annual performance bonus and, for senior contributors, long-term share and fund-based deferrals. The level of deferral increases as total compensation increases. This provides alignment with shareholders and the future performance of the Company and with the interests of investors in funds managed by the Company.

Sales staff have a specific bonus scheme to incentivise appropriate asset raising and retention, whilst aligning interests on costs.

3.4 Shareholding guidelines

In order to align the interests of executive directors and shareholders, Man Group requires its executive directors to maintain a proportion of Man Group shares calculated with reference to their base salary. The Chief Executive Officer is required to maintain a shareholding of 200% of base salary. Other executive directors are required to maintain a shareholding of 100% of base salary. Executive directors are required to build up this shareholding on joining the Board and after a reduction in share price. Incumbents will build up to the prescribed shareholdings with (post-tax) vested shares where not already at or above this level.

In addition, as explained in Table R24, the long-term deferred bonus element of the Executive Incentive Plan has been designed so that executive directors have the potential to build up over time a significant holding of unvested shares, subject to ongoing service, which are fully aligned with shareholder experience and value. However, these shares are not taken into account in the calculation of the level of directors' holdings measured against our shareholding guidelines which require the holding of totally unrestricted and disposable shares.

3.5 Non-executive directors' remuneration policy

Non-executive directors have formal letters of appointment. These do not contain any notice provisions or provision for compensation in the event of early termination. The Chairman has a contract with the Company which provides that his appointment is terminable on six months' notice. The Board's policy is to appoint non-executive directors for an initial three-year term, subject to retirement and reappointment by shareholders annually at the AGM, which may be followed by a further three years by mutual agreement. Any further extension will be subject to rigorous review. The initial dates of appointment of the non-executive directors to the Board are shown on pages 48 and 49 of this 2016 Annual Report, and their current fee levels are provided in the DRR on page 83. Non-executive directors are also encouraged to build a shareholding in the Company.

Details of the policy on fees paid to our non-executive directors are set out in the table below.

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

TABLE R25

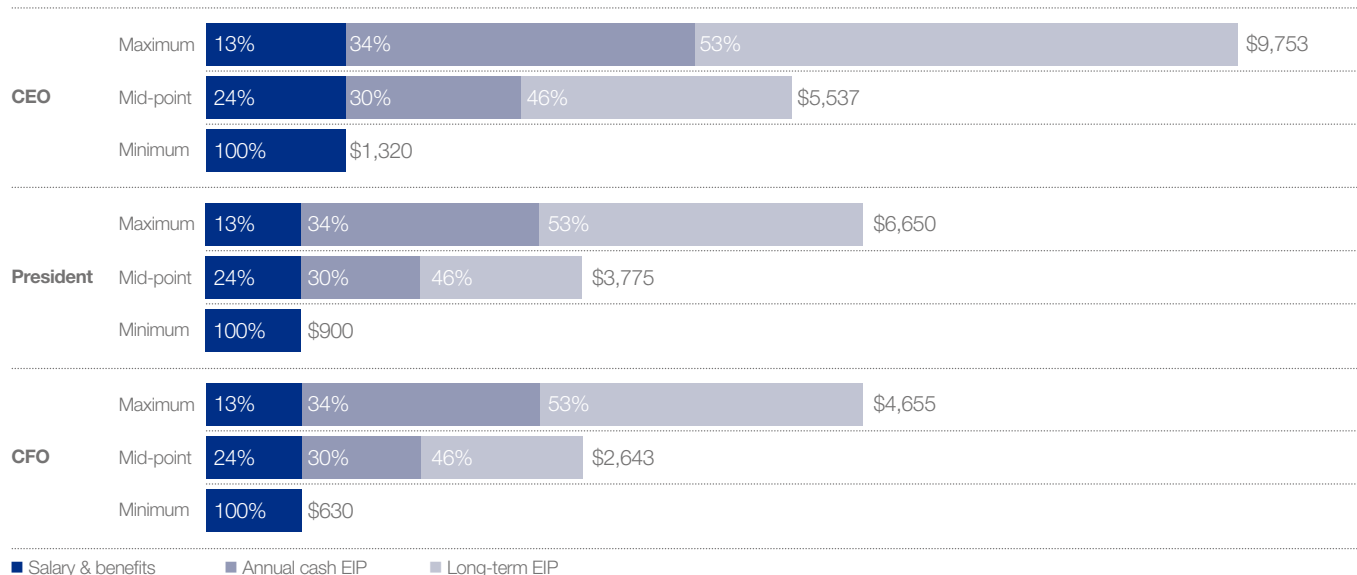
Function	Operation	Opportunity	Performance metrics
Fees To attract and retain non-executive directors of the highest calibre and experience relevant to Man Group	<p>Fees are reviewed annually by the Board at the year-end taking into account market benchmarks for non-executives of companies of similar size and complexity to Man Group with consideration of sector relevance.</p> <p>The Chairman's remuneration is recommended by the Remuneration Committee and approved by the Board. Neither the Chairman nor the non-executive directors take part in discussions or vote on their own remuneration.</p> <p>Non-executive directors receive a base fee for Board service and additional fees for Board Committee membership and other responsibilities. They do not participate in any share option or share incentive plans.</p>	Any fee increases for non-executive directors will not normally exceed the average increase in the market. A fee increase may be above this level if there is a significant change in time commitment required or scope of the role.	None

3.6 Illustrative pay for performance scenarios

Although executive directors will be assessed individually for their short-term awards, the chart below provides an illustration of some of the potential 2018 reward opportunities for executive directors in respect of the 2017 performance year, and the potential split between the different elements of remuneration under three different performance scenarios: 'minimum', 'mid-point' and 'maximum'.

PROJECTED PAY UNDER THREE PERFORMANCE SCENARIOS (\$'000)

TABLE R26



Assumptions used:

- The 'minimum' scenario reflects base salary, pension and benefits as disclosed in the single figure of total remuneration (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to performance during the year under review.
- The 'mid-point' scenario reflects fixed remuneration as above, plus a bonus payout of 150% of salary for the short-term award (being half of the maximum short-term award) and a deferred bonus award of 233.5% of salary (being half of the maximum deferred award).
- The 'maximum' scenario reflects fixed remuneration as above, plus a full bonus payout of the maximum of 300% of salary for the short-term annual cash bonus award and the maximum of 467% of salary for the deferred bonus award.
- The illustrations are based on initial award value and do not, therefore, reflect potential share price appreciation or any dividends received over the deferral periods.

3.7 Approach to recruitment remuneration

External appointment

APPROACH TO RECRUITMENT REMUNERATION

TABLE R27

Component	Approach	Maximum grant value
Base salary	Base salary will be determined to provide competitive total compensation in relation to relevant market practice, experience and skills of the individual, internal relativities and their current compensation.	None
Pension	Pension contributions or an equivalent cash supplement will normally be set in line with existing policy.	n/a
Benefits	Benefits may include (but are not limited to) private medical insurance, life assurance, permanent health insurance, Group income protection and any necessary relocation expenses.	n/a
Sharesave	New appointees will be eligible to participate in any all-employee share schemes the Company offers.	n/a
Executive Incentive Plan <i>Short-term annual cash bonus</i>	The remuneration structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.	300% of salary
Executive Incentive Plan <i>Long-term deferred bonus</i>	New appointees may be granted awards under the long-term deferred bonus on the same terms as other executive directors, as described in the policy table. The performance periods used for determining the awards will be gradually increased until the new appointee has completed three full financial years at Man Group.	467% of salary

Directors' Remuneration report continued

3.7 Approach to recruitment remuneration continued

In determining the appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Man Group and its shareholders.

With respect to a new appointment the Remuneration Committee may 'buy out' incentive arrangements, including bonuses, forgone on leaving a previous employer, and awards made under such 'buy out' arrangements may be in addition to the remuneration outlined in the table above. In doing so, the Remuneration Committee will consider relevant factors including any performance conditions attached to those incentive arrangements and the likelihood of those conditions being met. In defining the size of this 'buy out' award, the Remuneration Committee would ensure that its fair value is no higher than the fair value of the incentive arrangements forgone. The Remuneration Committee may also consider it appropriate to structure any such 'buy out' award differently to the structure described in the policy table including whether appropriate performance conditions should apply, exercising the discretion available under the UKLA Listing Rules.

The Remuneration Committee does not intend that such 'buy out' awards will be made as a matter of routine; on the contrary, although the Remuneration Committee cannot anticipate every circumstance which it might face in the future, it is expected that any such awards made under the UKLA Listing Rules will only be contemplated in exceptional circumstances, will be reviewed and approved by the full Board and described fully in the subsequent year's DRR.

Internal appointment

For the appointment of a new executive director by way of internal promotion, the Remuneration Committee's approach will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these commitments.

3.8 Non-executive directors

When recruiting a new non-executive director, the Board will utilise the policy as set out in Table R25 on page 86. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as a member or Chairman of a Board Committee.

3.9 Service contracts and exit payment policy

SERVICE CONTRACTS

TABLE R28

Element	Condition
Contract dates	Luke Ellis: 1 September 2016
	Mark Jones: 1 January 2017
	Jonathan Sorrell: 28 September 2012
Current appointment	No fixed term
Notice period (by either Company or director)	Luke Ellis: 12 months
	Mark Jones: 6 months
	Jonathan Sorrell: 6 months
	The Company's policy is that notice periods will not exceed 12 months
Contractual entitlement to fixed bonus or share-based incentive	None
Provisions for contract termination	Under all contracts the Company can opt to terminate immediately by making a payment in lieu of the notice period or part of it. Luke Ellis' contract requires payment of base salary only in lieu. Jonathan Sorrell's contract requires payment of base salary plus the value of pension contributions (or alternative cash allowance) and certain other insured benefits in lieu. Mark Jones' contract requires payment of base salary plus a cash sum in lieu of pension contributions and other insured benefits.
	Payments in lieu are to be made in monthly instalments unless the Company and the executive director agree otherwise.
	Unless the Company decides otherwise the executive directors have a duty to mitigate their losses arising from termination of their employment; any replacement earnings earned in what would otherwise have been the notice period will reduce the obligation on the Company to make payments in lieu.
Short-term annual cash bonus	The service contracts do not oblige the Company to pay any cash bonus to executive directors and bonuses are awarded at the Remuneration Committee's discretion. Payment of any cash bonus is conditional upon the executive director being in employment and not under notice at the payment date.
Long-term deferred bonus and other awards	The treatment of deferred bonuses and other long-term awards is governed by the relevant Plan rules as explained below.

3.9 Service contracts and exit payment policy continued

To protect Man Group's business interests the executive directors' service contracts contain covenants which restrict the executives' ability to solicit or deal with clients and their ability to solicit senior employees. Luke Ellis has also entered into a broader non-compete covenant for an agreed period post termination.

Further, the Board has the right, at its discretion, to require Jonathan Sorrell and Mark Jones to comply with a broader non-compete covenant for up to six months post termination to provide additional protection for the Company. If the Board exercises this right, the Company will pay an additional amount up to six months' base salary and the value of pension contributions (or alternative cash allowance) and certain other insured benefits so that they are not left without income during the time when the Board wishes the non-compete to operate. This amount is paid in two equal instalments and is reduced by any payments made in lieu of notice.

Executive directors' service contracts are available to view at the Company's registered office.

When considering exit payments, the Remuneration Committee reviews all outstanding incentive awards and assesses outcomes that are fair to both shareholders and participants. The table below summarises how long-term deferred awards are typically treated in specific circumstances, with the final treatment remaining subject to the Remuneration Committee's discretion.

LONG-TERM DEFERRED BONUS AND OTHER SHARE AWARDS

TABLE R29

Reason for leaving	Timing of vesting	Calculation of vesting/payment
Good leaver ¹	Follows normal vesting schedule (except in the case of death where the Remuneration Committee may allow early vesting).	Awards vest on a time pro rata basis under the long-term deferred bonus of the Executive Incentive Plan.
Any other reason	All awards lapse.	

¹ Good leaver reasons include death, retirement, ill-health, injury or disability, redundancy, sale of the Company or business in which the individual was employed, leaving with agreement of the Company if the Remuneration Committee is satisfied that an orderly handover has been organised and performed. The Remuneration Committee may also decide, in its discretion, to grant good leaver status in other exceptional circumstances and will take into account the reason for leaving and the executive director's performance up to the date employment ceases.

3.10 External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Company, executive directors may accept a limited number of external appointments as non-executive directors of other companies and retain any fees received. Details of external directorships held by executive directors, including associated fees, are provided in the Directors' Remuneration report for the relevant year.

3.11 Consideration of conditions elsewhere in the Company

In assessing executive director remuneration, internal relativities within the Company are reviewed by the Remuneration Committee. These internal reviews cover the individual elements of base salaries, benefits and total compensation.

3.12 Consideration of shareholder views

The Remuneration Committee takes into account shareholder views received in relation to remuneration resolutions to be considered at the AGM each year and guidance from shareholder representative bodies more broadly. The Remuneration Committee considers shareholder feedback an important input when forming remuneration policy and regularly reviews Man Group's remuneration policy against the guidelines of key institutional shareholders and their representative bodies.

The above remuneration policy was discussed with a number of Man Group's major shareholders and certain shareholder voting bodies in early 2015 and reflects the views expressed in that consultation. As set out in more detail in the report, the application of the policy, with respect to the short-term cash bonus and the maximum award under the DEIP, has been changed for 2016 and 2017, in response to shareholder feedback. The Committee intends to undertake a formal review of the policy, commencing immediately after the 2017 AGM, in May, prior to seeking shareholder approval for a new policy at the 2018 AGM.

Directors' report

The directors present their report, together with the audited consolidated financial statements, for the year ended 31 December 2016 (the 'year').

Man Group plc is incorporated as a public limited company and is registered in England with the registered number 08172396 (the 'Company'). The Company's registered office is Riverbank House, 2 Swan Lane, London EC4R 3AD.

Directors

Details of the current directors, together with their biographies, can be found on pages 47 to 49. The following Board changes have occurred during the year:

Lord Livingston of Parkhead	Appointed 1 January 2016
Richard Berliand	Appointed 19 January 2016
Jon Aisbitt	Retired 6 May 2016
Emmanuel Roman	Resigned 31 August 2016
Luke Ellis	Appointed 1 September 2016

Mark Jones was appointed as Chief Financial Officer following the year end on 1 January 2017.

All of the other directors served for the duration of the year.

Details of the directors' interests in the Company's shares are given on page 78 of the Annual Report.

Powers of directors

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Articles of Association (the 'Articles'). A copy of the Articles is available on the Company's website and by request from the registered office of the Company. The Articles may be amended by a special resolution of the shareholders.

Appointment, retirement and replacement of directors

The appointment, retirement and replacement of directors are governed by the Articles, the UK Corporate Governance Code and the Companies Act 2006. Under the Articles, the Board has the power to appoint further directors during the year, but any director so appointed must stand for reappointment at the next Annual General Meeting (AGM). In accordance with the Articles, one-third of the Board must retire by rotation at each AGM and may stand for reappointment. In practice, and in accordance with the UK Corporate Governance Code, all Board members retire and offer themselves for reappointment at each AGM.

The Articles give each director the power to appoint any person to be his/her alternate, such appointment being subject to Board approval where the proposed alternate is not an existing director of the Company.

Directors' indemnities and insurance cover

The Company has maintained qualifying third-party indemnity provisions for the benefit of its directors during the year and these remain in force at the date of this report. The indemnity is granted by the Company to new directors on their appointment and covers, to the extent permitted by law, any third-party liabilities which they may incur as a result of their service on the Board. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which the Company indemnity does not meet. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Company.

Shares

Share capital

Details of movements in issued share capital, together with the rights and obligations attaching to the Company's shares, are set out in Note 21 to the financial statements. This Note also provides information on the Company's unexpired authority to purchase its own shares and details of the shares purchased by the Company during the year.

Substantial voting interests

As at 31 December 2016, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the movement triggering the notification.

Shareholder	Number of shares notified to the Company	Percentage of issued share capital
Silchester International Investors LLP	85,232,803	5.00%
Sumitomo Mitsui Trust Holdings, Inc	51,000,000	3.02%

No changes to the above were disclosed to the Company in accordance with DTR 5 during the period 1 January to 28 February 2017 inclusive, being the latest practicable date prior to the publication of this report.

Restriction on voting rights

Where shares are held in employee benefit trusts for the satisfaction of awards made under the Company's share schemes, under the trust deeds the trustees have discretion to vote or abstain from voting.

Share transfer restrictions

On 1 January 2017, 5,650,862 ordinary shares in the Company, which were issued as partial upfront consideration for the acquisition of Aalto Invest Holding AG, became subject to share lock-up agreements. Under the terms of such agreements, and with limited exceptions, the shares must not be disposed of until 31 December 2018.

The Board may decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations and where the number of joint holders exceeds four.

Change of control

The Company's employee share and fund product incentive schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards would vest and become exercisable, subject to any proration that may be applicable.

Independent auditor

The Company's auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution to reappoint Deloitte LLP as auditor of the Company will be proposed at the 2017 AGM.

Carbon emissions reporting

The information below details our mandatory reporting of greenhouse gas emissions for the year pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Around 80% (2015: 78%) of our overall emissions relate to purchased electricity and gas usage across our various geographical locations, with the remaining 20% (2014: 22%) relating to air travel. All emissions are reported in tonnes of carbon dioxide equivalents (CO₂e).

Man Group's emissions by scope

Scope	Source	Tonnes of CO ₂ e emissions	
		Year ended 31 December 2016	Year ended 31 December 2015
Scope 1	Natural gas	330	380
Scope 2	Electricity	6,070	8,143
Scope 3	Air travel	1,554	2,472
Total		7,954	10,995

The emissions we are reporting have been calculated using an intensity metric which will enable us to monitor emissions independent of activity. As Man Group is a people-related business, we expect that any changes to headcount will impact the property space we occupy and the amount of business travel we use. Therefore, emissions per employee are the most appropriate metric for our business, as shown in the table below. The average number of employees in 2016 was 1,180 (2015: 1,106).

Emissions per employee

Scope	Tonnes of CO ₂ e emissions	
	Year ended 31 December 2016	Year ended 31 December 2015
Scope 1	0.3	0.3
Scope 2	5.1	7.4
Scope 3	1.3	2.2
Emissions per employee	6.7	9.9

Decreases in Scope 2 emissions relate to various energy saving projects implemented over the year. This is reflected in the emissions per employee figure, decreasing compared to 2015. Air travel emissions (Scope 3) have decreased primarily due to higher levels of acquisition-related activity during 2015.

Methodology

For practical reasons, most of the emissions data was gathered for the first nine months of each year and, as appropriate, extrapolated in order to calculate the full year emissions. Based on the nature of our emissions and the consistency month on month, we believe this is an appropriate representation of the annual emissions.

In order to compile the reportable emissions data from our offices, electricity and gas meter readings have been obtained from our energy suppliers. For some of our smaller offices we are not charged for energy usage separately as these costs are incorporated into the service fees for our premises. These emissions have not been included in the reported total above, due to the data being unavailable, and relate to offices for the use of 16 employees (2015: 16 employees).

Where Man Group is the landlord of a property, and electricity costs are incurred on behalf of sub-tenants, these costs are on-charged to the sub-tenants as the users of the electricity. Accordingly, no emissions data for energy usage incurred on behalf of sub-tenants is included in Man Group's reportable emissions above.

Disclosures of emissions related to business travel are restricted to flight costs as a result of the CO₂e emission convertible data relating to other means of transport (i.e. taxis) not being available.

Further disclosures

Information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, where applicable to the Company, can be found in the following sections of the Annual Report for the year ended 31 December 2016 which are incorporated into the Directors' report by reference:

	Pages
Future developments in the business	8–29
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Dividend	35, 111, 140–141
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For and on behalf of the Board

Rachel Rowson

Company Secretary
1 March 2017

Directors' Responsibility Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Financial Reporting Standard 101 Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that period.

In preparing the Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and "Financial Reporting Standard 101 Reduced Disclosure Framework" have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are on pages 47 to 49 confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy; and
- there is no relevant audit information of which the Group's auditor is unaware, and that they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that Man's auditor is aware of that information.

Financial Statements

Financial statements contents

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Independent auditor's report to the members of Man Group plc

Opinion on financial statements of Man Group plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Parent Company Balance sheets;
- the Group cash flow statement;
- the Group and Parent Company Statement of changes in equity; and
- the related Notes 1 to 31 for the Group and 1 to 7 for the Parent Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 37.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 36 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 38–39 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Summary of our audit approach

Key Risks	The key risks that we identified in the current year were: <ul style="list-style-type: none"> – Impairment of GLG and FRM goodwill – Valuation of Numeric contingent consideration – Revenue recognition – internally calculated fees and consistency with governing documents – Revenue rebates and distribution costs accruals – Consolidation of the Group's investments in fund products
Materiality	We determined materiality for the Group to be \$15m which was determined on the basis of 5% of a two-year average of the adjusted profit before tax. Materiality for the significant components ranged from \$7.3m to \$14.6m.
Scoping	We performed a full scope audit on sixteen subsidiaries across seven geographic locations. We performed audits of specified account balances within a further twelve subsidiaries.
Together, this accounts for 98% of the Group's revenue and 93% of the Group's loss before tax on an absolute basis.	

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Last year our audit report included a risk in relation to the key assumptions used to calculate the value in use of the four cash generating units ("CGUs") identified by Man Group, which are consistent with the assumptions underpinning the valuation of the contingent consideration for the respective acquisitions. We have further defined this in the current year to separately identify where we consider the key risks to be within the goodwill and contingent consideration payable balances. As a result of the current year performance and flows, and the resulting impairment indicators identified in GLG and FRM, we have focussed our attention on these two CGUs in assessing the valuation of the goodwill recognised by Man Group. The valuation of the Numeric contingent consideration payable also relies on these assumptions and has thus been included as a separate risk this year. Because of the value of headroom within the Numeric CGU (refer to Note 11 for further details), fluctuations in these assumptions are not likely to result in a material impairment in the valuation of the associated goodwill balance, but will have a direct impact on the value of the contingent consideration recognised on the balance sheet, and adjustments to the valuation have a direct impact on the statutory profit or loss of the Group.

The description of risks below should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on pages 58–59.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

How the scope of our audit responded to the risk

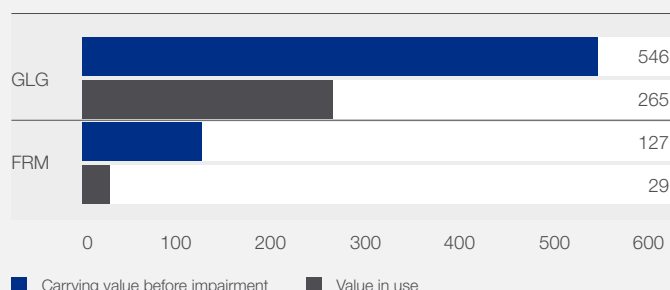
Impairment of GLG and FRM Goodwill

For the purposes of performing an impairment review, Man Group has identified four CGUs: AHL, GLG, FRM and Numeric, which represent the four investment managers of Man Group. As at 31 December 2016, total goodwill on the balance sheet amounted to \$588m (2015: \$907m), which equates to 20% (2015: 27%) of total assets. Prior to impairment, goodwill of \$222m related to GLG and \$97m to FRM.

Man Group's assessment of whether there is an impairment of goodwill is a judgemental process. This requires assumptions concerning future cash flows and growth rates based upon Man Group's view of future business prospects and investment performance.

The current and previous years' performance of the GLG and FRM cash generating units ("CGUs") has resulted in a reduction in the calculated value in use of these CGUs as at 31 December 2016. This has caused impairments to the value of \$281m and \$98m respectively. As a result of the eliminated headroom within these CGUs, small fluctuations in the above estimated future cash flows and growth rates can result in material variances in the value of the impairment recorded. Man Group believes that the headroom within AHL and Numeric remains sufficiently adequate to cover any small fluctuations, as seen in the sensitivities included within Note 11.

GOODWILL AND ACQUIRED INTANGIBLES (\$M) AS AT 31 DECEMBER 2016



In addition, the directors have reassessed the methodology applied in determining shared cost allocations within the model to the different CGUs to better reflect the cost base of each CGU under various performance scenarios. The cost allocations are necessarily subjective and accordingly this creates audit risk.

As referenced in Note 1 to the financial statements, Man Group have determined that the valuation of goodwill is a key judgement area. See Note 11 to the financial statements which gives further detail in relation to the Goodwill balance.

We performed detailed walkthroughs of the goodwill impairment processes and assessed the design and implementation of key controls identified during this process.

We worked with our valuation specialists to challenge the key assumptions used in the goodwill model with a focus on the GLG and FRM cash flow forecasts and growth rates inherent in the model.

Specifically, we considered the accuracy of the cash flow forecasts based on our understanding of the future prospects of the business by challenging the GLG and FRM cash flow forecasts and growth rates prior to them being approved by the Board. Our challenge included:

- performing a retrospective review of the accuracy of previous GLG and FRM forecasts;
- comparing GLG and FRM forecasts to recent industry flows and performance; and
- holding a series of discussions with key management across each of the CGUs and the Group who are outside of the finance function, as well as the Board of Man Group.

We also performed an independent sensitivity analysis to determine the impact of reasonably foreseeable changes to the key assumptions used in the value in use calculations for the GLG and FRM CGUs, to determine whether such changes would trigger further material impairments.

In addition, we recalculated management's reconciliation of the total valuation of the CGUs to the market value of Man Group based upon the share price at year end.

Further, we discussed the basis of the cost reallocation with management and performed an independent analysis of the impact of the revised methodology on the CGUs to assess whether it was appropriate.

Independent auditor's report to the members of Man Group plc continued

Risk

How the scope of our audit responded to the risk

Valuation of Numeric contingent consideration

The contingent consideration payable to the former owners of Numeric of \$150m (2015: \$164m) is stated at fair value and is thus dependent on the estimated future cash flows as determined by Man Group. The assumptions include the expected performance and growth of the Numeric business, and the discount rate used to obtain the present value. Given the level of judgement involved in deriving these assumptions and the sensitivity of the fair value, the valuation of the contingent consideration is deemed to be a significant risk.

As referenced in Note 1 to the financial statements, Man Group have determined that the fair value of contingent consideration is a key judgement area. See Note 26 to the financial statements which gives further details in relation to the assumptions applied by Man Group and the valuation of the contingent consideration.

We performed detailed walkthroughs of the contingent consideration processes and assessed the design and implementation of key controls identified during this process.

We worked with our valuation specialists to challenge Man Group's assumptions relating to Numeric's valuation, growth and performance, as well as the discount rates used to calculate the fair value of the contingent consideration. Our challenge included:

- performing a retrospective review of the accuracy of previous Numeric forecasts;
- comparison of Numeric's key assumptions to those applied by peers;
- discussions with key management within Numeric outside of the finance function as well as the Board of Man Group; and
- performing an independent sensitivity analysis over key assumptions to determine the impact of reasonably foreseeable changes to these on the valuation of the Numeric contingent consideration.

Revenue recognition – internally calculated fees and consistency with governing documents

The accuracy and completeness of all management and performance fees depend on the effective communication of any new and/or amended governing documents between several parties, both internally within Man Group and externally with various service providers. There is a risk that these communications are ineffective resulting in inaccurate or incomplete recognition of revenue as a result of fees not being charged in accordance with new or amended governing documents.

Furthermore, there is increased risk on management and performance fees where the Man Group is the single calculation agent for fees charged. These calculations are submitted to clients for review and payment, however these calculations do not benefit from the additional control environment within an independent service provider. These calculations often use bespoke methods that have been agreed with single investors that are inherently more complex and thus have increased risk of misstatement. Revenue where the Man Group is the single calculation agent represents approximately 10% of Man Group's total revenue.

Man Group's revenue recognition policy is included within Note 3 to the financial statements.

We performed detailed walkthroughs of the revenue processes and assessed the design and implementation and tested the operating effectiveness of key controls identified during this process.

We inspected a sample of the underlying legal documents used by Man Group to determine whether they were the most up-to-date documents for the applicable time period and that any amendments were accounted for in a timely manner.

We tested a sample of new fee arrangements during the period for compliance with the governing documents.

For revenue transactions where Man Group is the single calculation agent, we have independently assessed a sample of fees based on underlying legal documents and independent valuation reports, and compared this to the fee recorded.

Revenue rebates and distribution cost accruals

Revenue is recorded net of rebates payable to investors, whilst fees paid to intermediaries for distribution services are recorded within distribution costs.

Man Group has relationships with more than 1,000 investors and intermediaries. The initiation of rebate and distribution cost agreements and the reflection of the resulting transactions in the financial statements requires effective communication between several parties which increases the risk of incomplete recording of these transactions.

Additionally, it can take a long period of time to finalise negotiations. As a result, there is an increased risk that the accruals recorded are no longer valid.

2016 was also the first full year that Man Group's new system for automating much of this process has been operating, resulting in changes to the control environment.

Further explanation on rebates and distribution costs are included within Note 3 and Note 4 to the financial statements respectively.

We performed detailed walkthroughs of the rebate and distribution costs processes and assessed the design and implementation and tested the operating effectiveness of the key controls identified within the new control environment.

For a sample of investors, intermediaries and new funds under management, we have determined whether an accrual should be recognised at year end based on agreements to assess the completeness of the year end accruals.

We have assessed a sample of accrued rebates and distribution costs written back during the period to determine whether the judgement applied in determining the value of the accruals was appropriate.

We have assessed the year end listing of aged rebate and distribution cost accruals to assess whether these remain appropriate.

Risk

How the scope of our audit responded to the risk

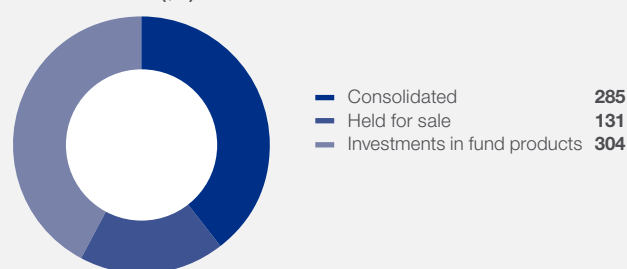
Consolidation of Man Group's investments in fund products

Man Group holds investments in a number of funds which it manages, as described in Note 14. The accounting for the investments requires judgement in determining whether control exists and hence whether investments are held on the balance sheet at fair value or are consolidated, as required by IFRS 10 Consolidated Financial Statements ("IFRS 10"). IFRS 10 sets out the following three elements of control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's return.

As a result of this assessment:

- \$285m in net assets have been consolidated on a line by line basis within Man Group's balance sheet (2015: \$213m);
- \$131m are classified as net non-current assets held for sale (2015: \$119m); and
- \$304m are classified as investments in fund products and other investments (2015: \$269m).

FUND PRODUCTS (\$M)

As referenced in Note 1 to the financial statements, Man Group have determined that the assessment of whether the Man Group controls certain funds through its investments in fund products is a key judgement area. See Note 14 to the financial statements which gives further detail in relation to Man Group's investments in fund products.

We performed a walkthrough of the processes by which Man Group controls these investment decisions and how these investments are subsequently monitored for consolidation triggers and classified. We also assessed the design and implementation of the key controls in operation during the year.

We independently assessed whether a sample of funds held at year end should be consolidated. This involved making selections from the total listing of investments owned by Man Group and assessing whether the selected funds were deemed to be controlled under the requirements of IFRS 10 with reference to the percentage ownership and the investment management agreement; and if so, whether the investment met the required criteria under IFRS 5 Non-current assets held for sale and discontinued operations, particularly in regards to the length of time that the investment had been controlled by Man Group. Our samples included 100% of the funds included in the listing maintained by management of those funds considered to require further assessment to determine whether consolidation is required.

We assessed each fund selected by considering the proportion of the holding per custodian statements as well as the contractual arrangements. In particular we focussed on investments in collateralised loan obligations ("CLOs") where control is not necessarily dictated by percentage ownership of equity shares.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	\$15m (2015: \$22.0m).
Basis for determining materiality	5% of the two-year average adjusted profit before tax ("PBT").
Rationale for the benchmark applied	<p>The adjusted profit before tax number is explained in Note 2 to the financial statements, and is a relevant benchmark as it is a key figure used by analysts in assessing the performance of the business. We have determined that a profit-based benchmark is most appropriate for listed investment management companies and this is consistent with benchmarks used by Man's peers.</p> <p>Performance fees are variable and can fluctuate significantly year on year. For the year ended 31 December 2016, performance fees of \$81m have been recorded in comparison to \$302m in 2015. As a result, we have taken an average of the current year and prior year adjusted profit before tax (\$205m and \$400m respectively) in order to create a more stable basis. Our materiality is below 1% of the total equity of Man Group.</p>

Independent auditor's report to the members of Man Group plc continued

We also set performance materiality for Man Group at \$10.5m (2015: \$15.4m). We use performance materiality to determine the extent of our testing. It is lower than planning materiality to reflect our assessment of the risk of errors remaining undetected by our sample testing or uncorrected in the financial statements.

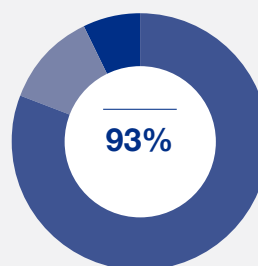
We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of \$750,000 (2015: \$440,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. This threshold has increased as a result of the assessment of errors that have been identified historically and their impact on the financial statements which are rounded to millions. We also reported to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We perform our global scoping assessment on an individual entity by entity basis to determine the 'significant components' or balances which may be subject to testing. In doing so, we perform both a quantitative and qualitative assessment of all entities within the consolidated Group. Our quantitative assessment is primarily based on each entity's PBT and revenue, however a further assessment is performed to determine whether sufficient coverage has been obtained. Our qualitative assessment is based on our understanding of the entities obtained from prior year's and current year's events and any significant risks associated with each entity. Specific to our considerations is management's strategy for the Group and we continue to re-assess where we focus our efforts as the business continues to evolve.

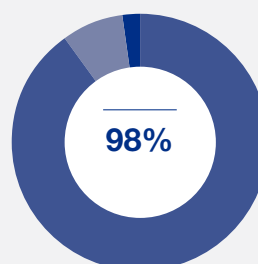
Based on that assessment, which is consistent with the prior year, we focused our group audit scope primarily on the audit work at seven geographical locations. This included the full audit of sixteen subsidiaries across the UK, the US, Switzerland, Australia, Ireland, the Cayman Islands and the Channel Islands. A further twelve subsidiaries across the UK and the US were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of Man Group's operations at those locations. All other subsidiaries were subject to analytical review procedures.

LOSS BEFORE TAX (%)



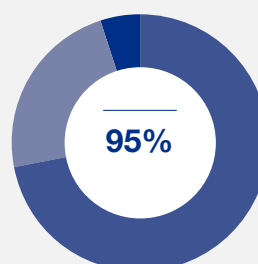
Full scope audit	81
Specified procedures	12
Analytic review	7

REVENUE (%)



Full scope audit	90
Specified procedures	8
Analytic review	2

TOTAL ASSETS (%)



Full scope audit	72
Specified procedures	23
Analytic review	5

These seven geographical locations represent the principal business units and account for 95% (2015: 96%) of Man Group's total assets, 98% (2015: 99%) of Man Group's revenue and 93% (2015: 98%) of the Group's loss before tax on an absolute basis. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. There has been no change in our assessment of the principle business units from the prior year. Our audit work at the twenty eight subsidiaries was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from \$7.3 to \$14.6m. There has been no changes in our approach to the testing at the Parent Company level.

Having now performed the audit of Man Group for three years, the Group audit team has developed a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the locations where the Group audit scope is focused at least once every two years. During the current year visits were made to New York, Boston and Japan. Regular communications were also maintained with the Switzerland and Australian offices. Books and records for subsidiaries located within Ireland, the Cayman Islands and the Channel Islands are maintained within the UK and are audited by the Group audit team.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark FitzPatrick (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
1 March 2017

Group income statement

\$m	Note	Year ended 31 December 2016	Year ended 31 December 2015
Revenue:			
Gross management and other fees	3	746	833
Performance fees	3	81	302
		827	1,135
Income or gains on investments and other financial instruments	14.1	52	15
Third-party share of (gains)/losses relating to interests in consolidated funds	14.2	(15)	9
Revaluation of contingent consideration	2	40	(62)
Distribution costs	4	(61)	(77)
Asset servicing	4	(33)	(32)
Amortisation of acquired intangible assets	2,11	(94)	(92)
Compensation	5	(405)	(462)
Other costs	6	(176)	(181)
Impairment of goodwill and acquired intangibles	2,11	(379)	(41)
Share of post-tax profit of associates	18	2	3
Finance expense	7	(32)	(34)
Finance income	7	2	3
(Loss)/profit before tax		(272)	184
Tax credit/(expense)	8	6	(13)
Statutory (loss)/profit attributable to owners of the Parent Company		(266)	171
(Loss)/earnings per share:	9		
Basic (cents)		(15.8)	10.1
Diluted (cents)		(15.8)	10.0

Group statement of comprehensive income

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Statutory (loss)/profit attributable to owners of the Parent Company	(266)	171
Other comprehensive (expense)/income:		
Remeasurements of post-employment benefit obligations	(17)	(21)
Current tax credited on pension scheme	4	4
Deferred tax credited on pension scheme	3	2
Items that will not be reclassified to profit or loss	(10)	(15)
Available-for-sale investments:		
Transfer to Group income statement upon sale or impairment	–	(1)
Cash flow hedges:		
Valuation losses taken to equity	(35)	(9)
Transfer to Group income statement	23	18
Deferred tax credited on cash flow hedge movements	2	2
Net investment hedge	1	14
Foreign currency translation	(7)	(21)
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	2	(1)
Items that may be reclassified subsequently to profit or loss	(14)	2
Other comprehensive expense (net of tax)	(24)	(13)
Total comprehensive (expense)/income attributable to owners of the Parent Company	(290)	158

Group balance sheet

\$m	Note	At 31 December 2016	At 31 December 2015
Assets			
Cash and cash equivalents	13	426	607
Fee and other receivables	15	257	303
Investments in fund products and other investments	14	794	598
Pension asset	22	27	48
Investments in associates	18	31	30
Leasehold improvements and equipment	19	44	44
Goodwill and acquired intangibles	11	1,024	1,497
Other intangibles	12	17	14
Deferred tax assets	8	63	59
		2,683	3,200
Non-current assets held for sale	14	263	188
Total assets		2,946	3,388
Liabilities			
Trade and other payables	16	647	660
Provisions	17	51	58
Current tax liabilities	8	6	32
Third-party interest in consolidated funds	14	240	136
Borrowings	13	149	149
Deferred tax liabilities	8	47	69
		1,140	1,104
Non-current liabilities held for sale	14	132	69
Total liabilities		1,272	1,173
Net assets		1,674	2,215
Equity			
Capital and reserves attributable to owners of the Parent Company	21	1,674	2,215

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2017 and signed on its behalf by:

Luke Ellis
Chief Executive Officer

Mark Jones
Chief Financial Officer

Group cash flow statement

\$m	Note	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Statutory (loss)/profit		(266)	171
Adjustments for:			
Income tax		(6)	13
Net finance expense		30	31
Share of post-tax profit of associates		(2)	(3)
Revaluation of contingent consideration		(40)	62
Depreciation of leasehold improvements and equipment		11	13
Amortisation of acquired intangible assets		94	92
Amortisation of other intangible assets		4	5
Share-based payment charge		18	18
Fund product based payment charge		37	35
Impairment of goodwill and acquired intangibles		379	41
Defined benefit pension plans (including contributions)		(5)	(27)
Other non-cash movements		40	16
		294	467
Changes in working capital:			
Decrease in receivables		87	101
Increase in other financial assets ¹		(63)	(118)
Decrease in payables		(185)	(30)
Cash generated from operations		133	420
Interest paid		(11)	(16)
Income tax paid		(38)	(49)
Cash flows from operating activities		84	355
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		(11)	(5)
Purchase of other intangible assets		(8)	(7)
Acquisition of subsidiaries and other intangibles, net of cash acquired		–	(38)
Payment of contingent consideration in relation to acquisitions		(25)	(46)
Transfer of cash in relation to the acquisition of Aalto ²		(18)	–
Interest received		2	2
Dividends received from associates		1	3
Cash flows from investing activities		(59)	(91)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		5	7
Purchase of own shares by the Employee Trusts and Partnerships		(18)	(33)
Share repurchase programme (including costs)		(35)	(176)
Dividends paid to Company shareholders		(158)	(193)
Cash flows from financing activities		(206)	(395)
Net decrease in cash		(181)	(131)
Cash at the beginning of the year		607	738
Cash at year end³	13	426	607

Notes:

1 Includes \$16 million (2015: \$21 million) of restricted net cash inflows relating to consolidated fund entities (Note 14).

2 Relates to cash paid into an intermediary holding account in advance of the 1 January 2017 acquisition of Aalto (Note 29).

3 Includes \$37 million (2015: \$21 million) of restricted cash relating to consolidated fund entities (Note 14).

Group statement of changes in equity

	Equity attributable to owners of the Parent Year ended 31 December 2016			Equity attributable to owners of the Parent Year ended 31 December 2015		
	Share capital and capital reserves	Revaluation reserves and retained earnings	Total equity	Share capital and capital reserves	Revaluation reserves and retained earnings	Total equity
\$m						
At beginning of the year	1,200	1,015	2,215	1,193	1,241	2,434
Statutory (loss)/profit	–	(266)	(266)	–	171	171
Other comprehensive expense	–	(24)	(24)	–	(13)	(13)
Total comprehensive (expense)/income for the year	–	(290)	(290)	–	158	158
Share-based payments	5	16	21	7	15	22
Purchase of own shares by the Employee Trusts	–	(13)	(13)	–	(30)	(30)
Share repurchase programme (including costs)	–	(101)	(101)	–	(176)	(176)
Dividends	–	(158)	(158)	–	(193)	(193)
At year end (Note 21)	1,205	469	1,674	1,200	1,015	2,215

The proposed final dividend would reduce shareholders' equity by \$75 million (2015: \$81 million) subsequent to the balance sheet date (Note 10).

Notes to the Group financial statements

1. Basis of preparation

Accounting policies

The audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Man's principal accounting policies have been consistently applied across the Group in the preparation of the financial statements. Accounting policies are included in the relevant sections, and significant policies are outlined on page 105. The impact, if any, of new accounting standards and amendments applicable to the year ended 31 December 2016 and accounting standards that are not yet effective are detailed on page 105.

Consolidated group and presentation currency

The consolidated group is Man Group plc (the Company) and its subsidiaries (together the Group or Man). The stand-alone Parent Company financial statements of Man Group plc have been included as separate financial statements on pages 136 to 138. Man's presentation currency is United States Dollars (USD).

The consolidated financial information contained within these financial statements incorporates the results, cash flows and financial position of the Company and its subsidiaries (Note 31) for the year to 31 December 2016. Subsidiaries are entities (including structured entities) controlled by Man and are consolidated from the date on which control is transferred to Man until the date that control ceases. Control exists when Man has the power to direct the relevant activities, exposure to significant variable returns and the ability to utilise power to affect those returns. All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

Business combinations (acquisitions) are accounted for using the acquisition method. The acquisition date is the date on which Man effectively obtains control of the acquiree. The cost of an acquisition is measured as the fair value at the acquisition date of assets transferred, liabilities incurred and equity instruments issued by the Group. The fair value of an acquisition is calculated at the acquisition date by recognising the acquiree's identifiable assets and liabilities at their fair values at that date, and costs relating to acquisitions are recognised in the Group income statement as incurred. Any contingent consideration will be recognised at fair value at the acquisition date, with any subsequent changes to the fair value of the contingent consideration recognised in the Group income statement and classified as an adjusting item.

Man's relationship with independent fund entities

Man acts as the investment manager/advisor to fund entities. Man assesses such relationships on an ongoing basis to determine whether each fund entity is controlled by the Group and therefore consolidated into the Group's results. Having considered all significant aspects of Man's relationships with fund entities, the directors are of the opinion that, although Man manages the assets of certain fund entities, where Man does not hold an investment in the fund entity the characteristics of control are not met, and that for most fund entities: the existence of independent boards of directors at the fund entities; rights which allow for the removal of the investment manager/advisor; the influence of investors; limited exposure to variable returns; and the arm's length nature of Man's contracts with the fund entities, indicate that Man does not control the fund entities and their associated assets, liabilities and results should not be consolidated into the Group financial statements. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of eleven funds for the year ended 31 December 2016 (2015: nine), as detailed in Note 14. An understanding of the aggregate funds under management (FUM) and the fees earned from fund entities is relevant to an understanding of Man's results and earnings sustainability, and this information is provided in the Chief Financial Officer's review on pages 31 and 33.

Judgemental areas and accounting estimates

Whether the Group controls certain funds through its investments in fund products and is required to consolidate them (Note 14.2) and classification of adjusting items (Note 2) are the most significant areas of judgement. The determination of fair values of goodwill and acquired intangibles (Note 11), valuation of contingent consideration in relation to acquisitions (Note 26) and recognition of deferred tax assets (Note 8) are the key areas of estimation uncertainty. These judgements and estimates have been an area of focus for the Group Board, and in particular the Audit and Risk Committee, during the year. The report of the Chairman of the Audit and Risk Committee discusses the involvement of the Committee in this evaluation on pages 57 and 58.

Going concern

Man's business activity is discussed on pages 1 to 45, together with the significant risk factors (pages 36 to 39). Man's liquidity and capital positions are set out in Note 13 and 21 respectively. The directors monitor Man's capital and liquidity positions and forecasts throughout the year, and in addition they have approved a budget, medium-term financial plan, and a capital and liquidity plan, which cover the foreseeable future and include rigorous analysis of stressed capital and liquidity scenarios. The directors have concluded that there is a reasonable expectation that Man has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group and Parent Company financial statements have been prepared on a going concern basis using the historical cost convention, except for the measurement at fair value of certain financial instruments that are held at fair value through profit or loss or available-for-sale. The directors have also made a longer-term viability statement, as set out on page 37.

Financial reporting controls

Details of the Group's systems of internal control are included in the Corporate governance report as provided on pages 46 to 55.

1. Basis of preparation continued

Significant accounting policies schedule

Policy	Note	Page
Revenue and rebates	3	101
Distribution costs and asset servicing	4	107
Taxation	8	109–110
Goodwill and acquired intangibles	11	111–114
Investments in fund products	14	116–118
Deferred compensation arrangements	20	121–122
Pension benefits	22	125–126

Impact of new accounting standards

A number of new or amendments to existing standards and interpretations have been issued by the International Accounting Standards Board (IASB), some of which are mandatory for the year beginning 1 January 2016, with the remaining becoming effective in the future.

Annual Improvements to IFRSs 2012–2014 Cycle and amendments to IAS 1 'Disclosure initiative', and the IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets) 'Clarification of acceptable methods of depreciation and amortisation' were adopted by Man in the current year, which have not had a significant impact.

The following standards and interpretations relevant to the Group's operations were issued by the IASB but are not yet mandatory:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases
- IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39 (Financial Instruments: recognition and measurement) with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Under IFRS 9, the Group's business model and the contractual cash flows arising from its investments in financial instruments will determine the appropriate classification. All equity investments within the scope of IFRS 9 are to be measured at fair value, with gains or losses reported either in the Group income statement or, by election, through other comprehensive income. However, where fair value gains and losses are recorded through other comprehensive income there will no longer be a requirement to transfer gains or losses to the Group income statement on impairment or disposal. In addition, IFRS 9 introduces an expected loss model for the assessment of impairment. The current (incurred loss) model under IAS 39 requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. As a result of the nature of the assets and liabilities held on the Group balance sheet, the Group does not anticipate that IFRS 9 will have a material impact on its reported results.
- IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and has yet to be endorsed by the EU. IFRS 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. New disclosures requirements are also introduced. The group has considered the timing of management and performance fee recognition as a result of the future IFRS 15. IFRS 15 is more prescriptive in terms of its recognition criteria whereas current IFRSs allow room for more judgement. Certain specific requirements exist under the new standard in respect of variable fee income such that it is only recognised where the amount of revenue would not be subject to significant future reversals. It is also noted that unless control of distinct goods or services are transferred on the outset, upfront fees would be regarded as advance payment and recognised in the future when those services are provided. We have considered these key changes within the terms of our existing investment management agreements in place and as a result it is not anticipated that IFRS 15 will have a material impact on the reported results.
- IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement. IFRS 16 replaces IAS 17 Leases and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and recognising a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset will be assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. Certain optional exemptions are available under IFRS 16 for short-term (less than 12 months) and low-value leases. The Group is currently performing its assessment of the anticipated impact of adoption of IFRS 16 on its reported results, however, we expect that, largely as a result of the Riverbank House premises lease as outlined in Note 28, this will result in a significant gross up of the Group's reported assets and liabilities.

No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's financial statements.

Notes to the Group financial statements continued

2. Adjusted profit before tax

Statutory (loss)/profit before tax is adjusted to give a better understanding of the underlying profitability of the business. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of acquired intangible assets and deferred tax movements relating to the recognition of tax losses in the US), impairment of assets, restructuring costs, and certain non-recurring gains or losses, which therefore reflects the recurring revenues and costs that drive the Group's cash flow and inform the base on which the Group's variable compensation is assessed. The directors are consistent in their approach to the classification of adjusting items period to period, maintaining an appropriate symmetry between losses and gains and the reversal of any accruals previously classified as adjusting items. These are explained in detail either below or in the relevant note.

\$m	Note	Year ended 31 December 2016	Year ended 31 December 2015
Statutory (loss)/profit before tax		(272)	184
Adjusting items ¹ :			
Acquisition and disposal related			
Impairment of goodwill and acquired intangibles	11	379	41
Amortisation of acquired intangible assets	11	94	92
Revaluation of contingent consideration	26	(40)	62
Unwind of contingent consideration discount	7	19	17
Other costs – professional fees and other integration costs	6	2	4
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	6	2	(1)
Compensation – restructuring	5	17	–
Other costs – restructuring	6	4	7
Litigation, regulatory and other settlements	6	–	(6)
Adjusted profit		205	400
Tax on adjusted profit ²		(28)	(39)
Adjusted profit after tax		177	361

Note:

- 1 Tax on adjusting items is \$28 million (2015: \$15 million), which relates to amortisation of acquired intangible assets of \$15 million (2015: \$14 million), impairment of acquired intangible assets of \$9 million (2015: nil), compensation restructuring costs of \$3 million (2015: nil) and other restructuring costs of \$1 million (2015: \$1 million).
- 2 The difference of \$34 million (2015: \$26 million) between tax on statutory (loss)/profit and tax on adjusted profit is made up of a tax credit of \$28 million (2015: \$15 million credit) on adjusting items (as above) and a tax credit of \$6 million (2015: \$11 million) relating to the recognition of a deferred tax asset which is classified as an adjusting item (Note 8).

Details of the 2016 GLG and FRM goodwill and acquired intangibles impairments of \$281 million and \$98 million, respectively, are further detailed in Note 11 (2015: impairment of \$41 million relating to FRM). Amortisation of acquired intangible assets primarily relates to the investment management agreements recognised on the acquisition of GLG and Numeric.

The revaluation of contingent consideration is an adjustment to the fair value of expected acquisition earn-out payments. The credit of \$40 million in the current year primarily relates to Numeric, with a \$28 million fair value decrease in the contingent consideration largely as a result of a decrease in forecast management fees on long only products and a decrease in forecast net inflows, partially offset by higher than forecast FUM due to higher sales than expected for 2016. The revaluation expense in 2015 largely relates to Numeric (\$61 million), primarily as a result of higher management fee margins than previously forecast, as well as higher than forecast FUM due to flows and performance in 2015. The unwind of the discount on contingent consideration in 2016 primarily relates to Numeric (\$18 million), with the remainder arising from the FRM, Pine Grove, and BAML fund of funds contingent consideration and is included within finance expense (Note 7). In 2015, this related to the contingent consideration of Numeric, FRM, Pine Grove, BAML fund of funds, NewSmith and Silvermine.

In 2016, the acquisition related professional fees and other integration costs of \$2 million relate to expenses incurred in association with the acquisition of Aalto which completed on 1 January 2017. The prior year cost of \$4 million related to the acquisitions of the Silvermine, NewSmith, BAML fund of funds and Numeric businesses.

In each of 2016 and 2015, some of the Group's foreign subsidiaries were liquidated, which had accumulated foreign currency translation reserves at the date of liquidation of \$2 million (loss) and \$1 million (gain), respectively. Upon liquidation of these subsidiaries the related foreign currency translation loss/gain was recycled to the Group income statement.

Compensation restructuring costs of \$17 million in 2016 relate to termination expenses incurred due to the restructuring of certain areas of the business. Compensation costs incurred as part of restructuring are accounted for in full at the time the obligation arises, and include payments in lieu of notice, enhanced termination costs, and accelerated share-based and fund product based charges.

Other restructuring costs of \$4 million in 2016 largely relate to a reassessment of our onerous property lease provision relating to Riverbank House (our main London office and headquarters) due to the finalisation of a contractual market-linked rental increase and a reassessment of the related sub-tenancy projections. The market-linked increase was effective for rental periods from November 2015 and estimation of this for the year ended 31 December 2015 resulted in a similar restructuring charge. The Riverbank House premises onerous lease was recorded as an adjusting item upon initial recognition.

The credit of \$6 million to litigation, regulatory and other settlements in 2015 related to an insurance recovery of costs incurred in association with legal claims, which were included as an adjusting item in previous years.

3. Revenue

Fee income is Man's primary source of revenue, which is derived from the investment management agreements that are in place with the fund entities. Fees are generally based on an agreed percentage of the valuation of net asset value (NAV) or FUM and are typically charged in arrears. Management fees net of rebates, which include all non-performance related fees and interest income from loans to fund products, are recognised in the year in which the services are provided.

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the quantum of the fee can be estimated reliably and has crystallised. This is generally at the end of the performance period or upon early redemption by a fund investor. Until the performance period ends, market movements could significantly move the NAV of the fund products. For AHL, GLG and FRM strategies, Man will typically only earn performance fee income on any positive investment returns in excess of the high water mark, meaning we will not be able to earn performance fee income with respect to positive investment performance in any year following negative performance until that loss is recouped, at which point a fund investor's investment surpasses the high water mark. Numeric performance fees are earned only when performance is in excess of a predetermined strategy benchmark (positive alpha), with performance fees being generated for each strategy either based on achieving positive alpha (which resets at a predetermined interval, i.e. every one to three years) or exceeding high water mark.

Rebates relate to repayments of management and performance fees charged, typically in association with institutional investors, and are presented net within gross management and other fees and performance fees in the Group income statement.

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's Review on pages 31 to 33.

4. Distribution costs and asset servicing

Distribution costs are paid to external intermediaries for their marketing and investor servicing, largely in relation to retail investors. Distribution costs are therefore variable with FUM and the associated management fee revenue. Distribution costs are expensed over the period in which the service is provided. Distribution costs have decreased largely as a result of the continued mix shift towards institutional FUM and the roll-off of guaranteed product FUM.

Asset servicing includes custodial, valuation, fund accounting and registrar functions performed by third-parties under contract to Man, on behalf of the funds. The cost of these services vary based on FUM, transaction volumes, the number of funds, and fund NAVs. The cost is recognised in the period in which the service is provided.

5. Compensation

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Salaries	159	158
Variable cash compensation	141	212
Share-based payment charge	18	18
Fund product based payment charge	37	35
Social security costs	23	33
Pension costs	10	6
Compensation costs – before adjusting items	388	462
Restructuring (Note 2)	17	–
Total compensation costs	405	462

Compensation is the Group's largest cost and an important component of Man's ability to retain and attract talent. In the short term, the variable component of compensation adjusts with revenues and profitability of the relevant business units. In the medium term, the active management of headcount can reduce fixed compensation, if required.

Total compensation costs excluding adjusting items have decreased by 16% compared to 2015, largely due to the decrease in management and performance fee revenues year on year, as reflected in decreased variable cash compensation and associated social security costs. Salaries are in line with prior year as a result of an increase in headcount due to continued investment in the business, which has been offset by a more favourable hedged pound sterling to USD rate in 2016 (1.51) compared to the hedged rate in 2015 (1.66).

Compensation costs before adjusting items are 48% of net revenue (2015: 43%). Net revenue is defined as gross management and other fees, performance fees, income or gains on investments and other financial instruments, and share of post-tax profit of associates, less distribution costs. Salaries and variable cash compensation are charged to the Group income statement in the period in which the service is provided, and include partner drawings. The compensation ratio has increased as a result of the lower level of performance fee revenue.

The accounting for share-based and fund product based compensation arrangements is detailed in Note 20.

Pension costs relate to Man's defined contribution and defined benefit plans (Note 22).

Notes to the Group financial statements continued

6. Other costs

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Occupancy	34	34
Technology and communications	27	34
Temporary staff, recruitment, consultancy and managed services	19	20
Legal fees and other professional fees	18	17
Benefits	15	13
Travel and entertainment	11	12
Audit, accountancy, actuarial and tax fees	8	8
Insurance	6	7
Marketing and sponsorship	6	6
Other cash costs, including irrecoverable VAT	10	10
Total other costs before depreciation and amortisation and adjusting items	154	161
Depreciation and amortisation	14	16
Other costs – before adjusting items	168	177
Acquisition and disposal related (Note 2)	4	3
Restructuring (Note 2)	4	7
Litigation, regulatory and other settlements (Note 2)	–	(6)
Total other costs	176	181

Other costs, before depreciation and amortisation and adjusting items, are \$154 million in 2016, compared to \$161 million in the prior year, which reflects the impact of the more favourable hedged pound sterling to USD rate in 2016 and continued efforts to remain disciplined on costs.

Auditors' remuneration, including advisory and professional services, is disclosed in the Corporate Governance section on page 60.

7. Finance expense and finance income

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Finance expense:		
Interest payable on borrowings (Note 13)	(9)	(9)
Revolving credit facility costs and other (Note 13)	(4)	(8)
Total finance expense – before adjusting items	(13)	(17)
Unwind of contingent consideration discount (Note 2)	(19)	(17)
Total finance expense	(32)	(34)
Finance income:		
Interest on cash deposits and US Treasury bills	2	3
Total finance income	2	3

The reduction in the revolving credit facility costs and other compared to 2015 reflects the reduction and renegotiation of the revolving credit facility in both June 2015 and October 2016 (Note 13).

8. Taxation

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Analysis of tax (credit)/expense:		
Current tax:		
UK corporation tax on (losses)/profits	18	37
Foreign tax	5	15
Adjustments to tax charge in respect of previous years	(6)	(17)
Total current tax	17	35
Deferred tax:		
Origination and reversal of temporary differences	(17)	(11)
Recognition of US deferred tax asset	(6)	(11)
Total deferred tax	(23)	(22)
Total tax (credit)/expense	(6)	13

Man is a global business and therefore operates across many different tax jurisdictions. Income and expenses are allocated to these different jurisdictions based on transfer pricing methodologies set in accordance with the laws of the jurisdictions in which Man operates and international guidelines as laid out by the OECD. The effective tax rate results from the combination of taxes paid on earnings attributable to the tax jurisdictions in which they arise. The majority of the Group's profit was earned in the UK, Switzerland and the US. The current effective tax rate of 2% (2015: 7%) differs from the applicable underlying statutory tax rates principally as a result of the impairment of the GLG and FRM goodwill and intangibles being largely non-deductible for tax purposes, which is partially offset by the incremental recognition of the US deferred tax asset of \$6 million (2015: \$11 million), as detailed on page 110, and the reassessment of tax exposures in Europe and Asia-Pacific during the year. The effective tax rate is otherwise consistent with this earnings profile. The effective tax rate on adjusted profits (Note 2) is 14% (2015: 10%).

Accounting for tax involves a level of estimation uncertainty given the application of tax law requires a degree of judgement, which tax authorities may dispute. Tax liabilities are recognised based on the best estimates of probable outcomes, with regard to external advice where appropriate. The principal factors which may influence our future tax rate are changes to tax regulation in the territories in which we operate, the mix of income and expenses by jurisdiction, and the timing of recognition of available tax losses.

The current tax liabilities, as shown on the Group balance sheet, of \$6 million (2015: \$32 million) comprise a gross current tax liability of \$9 million (2015: \$35 million) net of a current tax asset of \$3 million (2015: \$3 million).

The tax credit on Man's total loss before tax is lower (2015: expense on profit before tax is lower) than the amount that would arise using the theoretical effective tax rate applicable to the profits/(losses) of the consolidated companies as follows:

\$m	Year ended 31 December 2016	Year ended 31 December 2015
(Loss)/profit before tax	(272)	184
Theoretical tax (credit)/expense at UK rate: 20.00% (2015: 20.25%)	(54)	37
Effect of:		
Overseas tax rates compared to UK	11	(8)
Adjustments to tax charge in respect of previous periods	(7)	(17)
Impairment of goodwill and other adjusting items (Note 2)	43	9
Share-based payments	2	(2)
Recognition of US deferred tax asset	(6)	(11)
Other	5	5
Tax (credit)/expense	(6)	13

The effect of overseas tax rates compared to the UK includes the impact of the 0% effective tax rate of our US business, which made a loss for the year as a result of goodwill and intangibles impairment.

In the current year the adjustments to the tax charge in respect of previous periods largely relates to a \$6 million credit due to the reassessment of tax exposures in Europe and Asia-Pacific. In 2015, adjustments in respect of previous periods primarily related to the reassessment of tax exposures in the UK and Switzerland.

The impairment of goodwill and other adjusting items reflects that there is no tax relief for the impairment of goodwill recognised in jurisdictions outside the US.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates expected to be applied when the deferred tax asset or liability is realised.

Notes to the Group financial statements continued

8. Taxation continued

Movements in deferred tax are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
\$m		
Deferred tax liability		
At 1 January	(69)	(83)
Credit to the Group income statement	22	14
Deferred tax liability at 31 December	(47)	(69)
Deferred tax asset		
At 1 January	59	47
Credit to the Group income statement	1	8
Credit to other comprehensive income and equity	3	4
Deferred tax asset at 31 December	63	59

The deferred tax liability of \$47 million (2015: \$69 million) largely relates to deferred tax arising on acquired intangible assets.

The deferred tax asset comprises:

	Year ended 31 December 2016	Year ended 31 December 2015
\$m		
US tax losses	25	19
Defined benefit pension schemes	11	9
Employee share schemes	10	15
Tax allowances over depreciation	9	11
Other	8	5
Deferred tax asset at 31 December	63	59

The deferred tax asset income statement credit of \$1 million (2015: \$8 million) relates to the recognition of the deferred tax asset in respect of US losses of \$6 million (2015: \$11 million), a decrease in the deferred tax asset on employee share schemes of \$3 million (2015: \$2 million decrease), a decrease in the deferred tax asset arising on tax allowances over depreciation of \$2 million (2015: \$3 million) and no change in the deferred tax asset on other temporary differences (2015: \$2 million increase in deferred tax asset). The credit to other comprehensive income and equity of \$3 million (2015: \$4 million) relates to movements in the pension accrual, unrealised cash flow hedge balance and employee share schemes.

The Group has accumulated deferred tax assets in the US of \$192 million (2015: \$172 million). The increase of \$20 million is principally as a result of an increase in deferred tax assets due to goodwill and intangibles impairment. These assets principally comprise accumulated operating losses from existing operations of \$103 million (2015: \$105 million) and future amortisation of goodwill and intangibles assets generated from acquisitions of \$72 million (2015: \$59 million) that will be available to offset future taxable profits in the US. From the maximum available deferred tax assets of \$192 million (2015: \$172 million), a deferred tax asset of \$25 million has been recognised on the Group balance sheet (2015: \$19 million), representing amounts which can be offset against probable future taxable profits, an increase of \$6 million from that recognised at 31 December 2015. Probable future taxable profits are considered to be forecast profits for the next three years only, consistent with the Group's business planning horizon. As a result of the recognised deferred tax asset and the remaining unrecognised available US deferred tax assets of \$167 million (2015: \$153 million), Man does not expect to pay federal tax on any taxable profits it may earn in the US for a number of years. Accordingly, any movements in this US tax asset are classified as an adjusting item in Note 2. The gross amount of losses for which a deferred tax asset has not been recognised is \$160 million (2015: \$172 million), which will expire over a period of 12 to 20 years.

9. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax loss of \$266 million (2015: profit of \$171 million), and ordinary shares of 1,679,099,266 (2015: 1,694,081,544), being the weighted average number of ordinary shares on issue during the period after excluding the shares owned by the Man Employee Trusts. For diluted EPS, the weighted average number of ordinary shares on issue is adjusted to assume conversion of all dilutive potential ordinary shares, being ordinary shares of 1,695,995,147 (2015: 1,714,925,166).

The details of movements in the number of shares used in the basic and dilutive EPS calculation are provided below.

	Year ended 31 December 2016		Year ended 31 December 2015	
	Total number (million)	Weighted average (million)	Total number (million)	Weighted average (million)
Number of shares at beginning of year	1,700.8	1,700.8	1,756.3	1,756.3
Issues of shares	2.6	1.9	3.5	1.9
Repurchase of own shares	(23.5)	(2.3)	(59.0)	(42.0)
Number of shares at period end	1,679.9	1,700.4	1,700.8	1,716.2
Shares owned by Employee Trusts	(19.6)	(21.3)	(22.1)	(22.1)
Basic number of shares	1,660.3	1,679.1	1,678.7	1,694.1
Share awards under incentive schemes		15.9		17.1
Employee share options		1.0		3.7
Diluted number of shares		1,696.0		1,714.9

9. Earnings per ordinary share (EPS) continued

The reconciliation from EPS to adjusted EPS is provided below:

	Year ended 31 December 2016			Year ended 31 December 2015		
	Basic and diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents	Basic and diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
(Loss)/earnings per ordinary share	(266)	(15.8)	(15.8)	171	10.1	10.0
Effect of potential ordinary shares ¹	–	–	0.1	–	–	–
Items for which EPS has been adjusted (Note 2)	477	28.4	28.1	216	12.7	12.6
Tax adjusting items (Note 2)	(34)	(2.1)	(2.0)	(26)	(1.5)	(1.5)
Adjusted EPS	177	10.5	10.4	361	21.3	21.1
Less adjusted net performance fee profit before tax	(27)	(1.6)	(1.6)	(206)	(12.1)	(12.1)
Tax on adjusted net performance fee profits	3	0.2	0.2	20	1.2	1.2
Adjusted management fee EPS	153	9.1	9.0	175	10.4	10.2

Note:

1 As their inclusion would decrease the loss per share, potential ordinary shares have not been treated as dilutive and have therefore been excluded from the diluted statutory EPS calculation.

10. Dividends

	Year ended 31 December 2016	Year ended 31 December 2015
\$m		
Ordinary shares		
Final dividend paid for the year to 31 December 2015 – 4.8 cents (2014: 6.1 cents)	83	104
Interim dividend paid for the six months to 30 June 2016 – 4.5 cents (2015: 5.4 cents)	75	89
Dividends paid	158	193
Proposed final dividend for the year to 31 December 2016 – 4.5 cents (2015: 4.8 cents)	75	81

Details of dividends waived in the period are included in Note 20. Dividend distribution to the Company's shareholders is recognised directly in equity in Man's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders. Details of the Group's dividend policy are included in Note 21 and in the Chief Financial Officer's Review on page 35.

11. Goodwill and acquired intangibles

	Year ended 31 December 2016					Year ended 31 December 2015				
	Goodwill	Investment management agreements	Distribution channels	Brand names	Total	Goodwill	Investment management agreements	Distribution channels	Brand names	Total
\$m										
Net book value at beginning of the year	907	545	23	22	1,497	936	595	26	25	1,582
Acquisition of business ¹	–	–	–	–	–	22	35	–	1	58
Amortisation	–	(86)	(4)	(4)	(94)	–	(85)	(3)	(4)	(92)
Impairment expense ²	(319)	(54)	(3)	(3)	(379)	(41)	–	–	–	(41)
Currency translation	–	–	–	–	–	(10)	–	–	–	(10)
Net book value at year end	588	405	16	15	1,024	907	545	23	22	1,497
Allocated to cash generating units as follows:										
AHL	454	–	–	–	454	454	–	–	–	454
GLG	–	238	16	11	265	222	352	23	17	614
FRM	–	28	–	1	29	97	36	–	1	134
Numeric	134	139	–	3	276	134	157	–	4	295

Notes:

1 Acquisition of business relates to Silvermine, NewSmith and the BAML fund of funds businesses for the year ended 31 December 2015.

2 The impairment expense in the year of \$379 million relates to GLG (\$281 million) and FRM (\$98 million). The 2015 impairment of \$41 million relates to FRM.

Goodwill

Goodwill represents the excess of consideration transferred over the fair value of identifiable net assets of the acquired business at the date of acquisition. Goodwill is carried on the Group balance sheet at cost less accumulated impairment, has an indefinite useful life, is not subject to amortisation and is tested for impairment annually, or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investment management agreements (IMAs), distribution channels and brand names

IMAs, distribution channels and brand names are recognised at the present value of the expected future cash flows and are amortised on a straight-line basis over their expected useful lives, which are between three and 13 years (IMAs and brands), and nine and 12 years (distribution channels).

Notes to the Group financial statements continued

11. Goodwill and acquired intangibles continued

Allocation of goodwill to cash generating units

For statutory accounting impairment review purposes, the Group has identified four cash generating units (CGUs): AHL, GLG, FRM and Numeric. Further details of these are provided below.

Calculation of recoverable amounts for cash generating units

An impairment expense is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amounts of the Group's CGUs are assessed each year using a value in use calculation. The value in use calculation gives a higher valuation compared to a fair value less cost to sell approach, as this would exclude some of the revenue synergies available to Man through its ability to distribute products using its well established distribution channels, which may not be fully available to other market participants.

The value in use calculations at 31 December 2016 use cash flow projections based on the Board approved financial plan for the year to 31 December 2017 and a further two years of projections (2018 and 2019), plus a terminal value. The valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes, after this three year budget period, no growth in asset flows above the long-term growth rate. In order to determine the value in use of each CGU, it is necessary to notionally allocate the majority of the Group's cost base relating to operations, product structuring, distribution and support functions, which are managed on a centralised basis.

During H2 2016, the directors reassessed the allocation methodology for the Group's shared costs which are not directly attributable to an individual CGU, in order to ensure that this best represents the proportionate share of costs attributable to the value of each. Under the previous allocation methodology, under certain stressed scenarios, CGUs may have been disproportionately affected by the performance of other CGUs. This exercise involved assessment of the fixed cost margins of each CGU prior to acquisition by Man, and subsequently allocating other shared items (e.g. interest and depreciation) to each CGU based on their proportionate net contribution to the profits of the Group. This has resulted in a value in use output for each CGU which the directors feel best represents each CGU's individual performance and contribution to the Group. Had we applied the revised shared costs allocation methodology at year end 31 December 2015 there would have been no change in the impairment assessment performed (no impairment recognised).

The value in use calculations for AHL, FRM and GLG continue to be presented on a post-tax basis, consistent with the prior year, given most comparable market data is available on a post-tax basis. The Numeric CGU value in use calculation has also been presented on a post-tax basis, compared with pre-tax for the year ended 31 December 2015, in order to aid comparability between the CGUs. In determining the value of Numeric's future tax obligations, we have considered the forecast consumption of available US tax losses (Note 8). The value in use calculations presented on a post-tax basis are not significantly different to their pre-tax equivalent.

The assumptions applied in the value in use calculation are derived from past experience and assessment of current market inputs. A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of net management fee income and net performance fee income. The discount rates are based on the Group's weighted average cost of capital using a risk free interest rate, together with an equity risk premium and an appropriate market beta derived from consideration of Man's beta, similar alternative asset managers, and the asset management sector as a whole. The terminal value is calculated based on the projected closing FUM at 31 December 2019 and applying a mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fees.

The recoverable amount of each CGU has been assessed at 31 December 2016. The key assumptions applied to the value in use calculations for each of the CGUs are provided below.

Key assumptions:	AHL	GLG	FRM	Numeric
Compound average annualised growth in FUM (over three years)	12%	3%	1%	9%
Discount rate				
– Management fees ¹	11%	11%	11%	11%
– Performance fees ²	17%	17%	17%	17%
Terminal value (mid-point of range of historical multiples) ³				
– Management fees	13.0x	13.0x	5.3x	14.0x
– Performance fees	5.5x	5.5x	2.1x	6.0x

Notes:

- ¹ The pre-tax equivalent of the net management fees discount rate is 13%, 13%, 13% and 15% for each of the AHL, GLG, FRM and Numeric CGUs, respectively.
- ² The pre-tax equivalent of the net performance fees discount rate is 20%, 20%, 20% and 22% for each of the AHL, GLG, FRM and Numeric CGUs, respectively.
- ³ The implied terminal growth rates for the AHL, GLG, FRM and Numeric CGUs are 2%, 2%, -10% and 4%, respectively.

The results of the valuations are further explained in the following sections, including sensitivity tables which show scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

11. Goodwill and acquired intangibles continued

AHL cash generating unit

The AHL value in use calculation at 31 December 2016 indicates a value of \$2.5 billion, with around \$2.0 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2016 (2015: nil). The valuation at 31 December 2016 is around \$1.2 billion lower than the value in use calculation at 31 December 2015, primarily due to lower opening FUM as a result of lower than forecast performance of quant alternative products in 2016, as well as a reduction in forecast investment performance and an increase in shared costs as a result of reassessment of the Group's shared costs allocations (as previously detailed).

Sensitivity analysis:	Compound average annualised growth in FUM ¹		Discount rates (post-tax)		Multiples (post-tax)	
			Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	14%	-2%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	2,455	(1)	2,050 ²	1,934 ²	2,224 ³	1,758 ³

Notes:

- 1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which impairment would arise.
- 2 An increase/decrease of \$58 million.
- 3 An increase/decrease of \$233 million.

GLG cash generating unit

The GLG value in use calculation at 31 December 2016 indicates a value of \$289 million, which suggests an impairment of \$281 million (2015: nil) based on the carrying value of the GLG business. The valuation at 31 December 2016 is around \$600 million lower than the value in use calculation at 31 December 2015, primarily due to a lower opening FUM as a result of lower performance and net flows compared to that previously forecast, as well as a weakening of industry growth forecasts during the year, partially offset by a decrease in shared costs as a result of the reassessment of the Group's shared costs allocations.

The GLG CGU impairment of \$281 million impairs the total GLG goodwill balance of \$222 million, and further impairs the other acquired intangibles balances relating to investment management agreements, distribution channels and brands by a total of \$59 million.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax)		Multiples (post-tax)	
			Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	5%	1%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	(244)	(305)	(274) ¹	(288) ¹	(256) ²	(306) ²

Notes:

- 1 An increase/decrease of \$7 million.
- 2 An increase/decrease of \$25 million.

FRM cash generating unit

The FRM value in use calculation at 31 December 2016 indicates a value of \$39 million, which suggests an impairment of \$98 million based on the carrying value of the FRM business. The valuation at 31 December 2016 is \$160 million lower than the value in use calculation at 31 December 2015, primarily as a result of the faster than previously anticipated 2016 and forecast FUM mix shift towards lower margin infrastructure mandates and reduced prospects for the traditional fund of funds business, partially offset by a decrease in shared costs as a result of the reassessment of the Group's shared costs allocations.

The FRM CGU impairment of \$98 million erodes the total FRM goodwill balance of \$97 million, and further impairs the other acquired intangibles balances relating to investment management agreements and brands by a total of \$1 million.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax)		Multiples (post-tax)	
			Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	3%	-1%	10%/16%	12%/18%	6.3x/3.1x	4.3x/1.1x
Modelled headroom/(impairment) (\$m)	(91)	(104)	(97) ¹	(99) ¹	(96) ²	(100) ²

Notes:

- 1 An increase/decrease of \$1 million.
- 2 An increase/decrease of \$2 million.

Impairment of \$41 million was recognised in relation to the FRM goodwill for the year ended 31 December 2015, largely as a result of lower sales and higher redemptions of fund of funds products than anticipated.

Notes to the Group financial statements continued

11. Goodwill and acquired intangibles continued

Numeric cash generating unit

The Numeric value in use calculation at 31 December 2016 indicates a value of \$469 million, with around \$190 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2016 (2015: nil). The valuation at 31 December 2016 is around \$140 million higher than the value in use calculation at 31 December 2015, primarily as a result of higher opening FUM due to higher sales of long only products than forecast and a decrease in shared costs as a result of the reassessment of the Group's shared costs allocations, partially offset by a decrease in the forecast management fees on new sales and net inflows on long only products.

Sensitivity analysis:	Compound average annualised growth in FUM ¹		Discount rates (post-tax)		Multiples (post-tax)	
			Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	11%	-1%	10%/16%	12%/18%	15.0x/7.0x	13.0x/5.0x
Modelled headroom/(impairment) (\$m)	246	(1)	202 ²	180 ²	222 ³	160 ³

Notes:

- 1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which impairment would arise.
- 2 An increase/decrease of \$11 million.
- 3 An increase/decrease of \$31 million.

The Numeric CGU goodwill headroom has increased despite a decrease in the Numeric contingent consideration creditor (Note 2), which is as a result of the Numeric earn-out not being influenced by the Group's shared costs allocations, which are determined solely for goodwill impairment purposes.

12. Other intangibles

\$m	Year ended 31 December 2016			Year ended 31 December 2015		
	Capitalised computer software	Placement fees	Total	Capitalised computer software	Placement fees	Total
Net book value beginning of the year	11	3	14	8	5	13
Additions	9	–	9	6	1	7
Disposals/redemptions	(1)	(1)	(2)	–	(1)	(1)
Amortisation	(3)	(1)	(4)	(3)	(2)	(5)
Net book value at year end	16	1	17	11	3	14

Capitalised computer software includes costs that are directly associated with the procurement or development of identifiable and unique software products, which will generate economic benefits exceeding costs beyond one year. Capitalised computer software is amortised on a straight-line basis over its estimated useful life (three years) and is subject to regular impairment reviews. Amortisation of capitalised computer software is included in Other costs in the Group income statement.

13. Cash, liquidity and borrowings

\$m	31 December 2016			31 December 2015		
	Total	Less than 1 year	Greater than 3 years	Total	Less than 1 year	Greater than 3 years
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	149	–	149	149	–	149
Cash and cash equivalents ¹	389	389	–	586	586	–
Undrawn committed revolving loan facility	500	–	500	1,000	–	1,000
Total liquidity	889	389	500	1,586	586	1,000

Note:

- 1 Excludes \$37 million (2015: \$21 million) of restricted cash held by consolidated fund entities (Note 14.2).

Liquidity resources support ongoing operations and potential liquidity requirements under stressed scenarios. The amount of potential liquidity requirements is modelled based on scenarios that assume stressed market and economic conditions. With the exception of committed purchase arrangements (Note 28.4), the funding requirements for Man relating to the investment management process are discretionary. The liquidity profile of Man is monitored on a daily basis and the stressed scenarios are updated regularly. The Board reviews Man's funding resources at each Board meeting and on an annual basis as part of the strategic planning process. Man's available liquidity is considered sufficient to cover current requirements and potential requirements under stressed scenarios.

In September 2014, Man issued \$150 million ten-year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes), with associated issuance costs of \$1 million. The Tier 2 notes were issued with a fixed coupon of 5.875% until 15 September 2019. The notes may be redeemed in whole at Man's option on 16 September 2019 at their principal amount, subject to FCA approval. If the notes are not redeemed at this time then the coupon will reset to the five-year mid-swap rate plus 4.076% and the notes will be redeemed on 16 September 2024 at their principal amount.

13. Cash, liquidity and borrowings continued

Borrowings are initially recorded at fair value net of transaction costs incurred, and are subsequently measured at amortised cost. The difference between the amount repayable at maturity on the borrowings and the carrying value is amortised over the period up to the expected maturity of the associated debt in accordance with the effective interest rate method.

Cash and cash equivalents at year end comprises \$222 million (2015: \$250 million) of cash at bank on hand, \$102 million (2015: \$336 million) in short-term deposits and \$65 million (2015: nil) of US Treasury bills. Cash ring-fenced for regulated entities totalled \$28 million (2015: \$35 million). Cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of liquidity. Accordingly, cash is held in on-demand deposit bank accounts and short-term bank deposits, and is invested in short-term US Treasury bills. At 31 December 2016, the \$324 million cash balance (excluding US Treasury bills and cash held by consolidated fund entities) is held with 18 banks (2015: \$586 million with 22 banks). The single largest counterparty bank exposure of \$88 million is held with an BBB+ rated bank (2015: \$100 million with an A+ rated bank). At 31 December 2016, balances with banks in the AA ratings band aggregate to \$109 million (2015: \$239 million) and balances with banks in the A ratings band aggregate to \$127 million (2015: \$293 million).

During October 2016, the Group reduced \$500 million of the \$1 billion syndicated revolving loan facility. The remaining \$500 million facility was undrawn at 31 December 2016. The previous committed revolving credit facility of \$1,525 million was refinanced during 2015 and replaced with a new committed syndicated revolving loan facility of \$1 billion (undrawn at 31 December 2015). The new facility was put in place as a five-year facility and includes the option for Man to request the banks to extend the maturity date by one year on each of the first and second anniversaries. The participant banks have the option to accept or decline Man's request. Before the first anniversary in June 2016, the banks were asked to extend the maturity date of the facility by a year and banks with participations totalling 98% of the facility accepted the request. As a result of the maturity extension and following the cancellation of \$500 million of the facility, \$10 million is scheduled to mature in June 2020, with the remainder maturing in June 2021. To maintain maximum flexibility, the facility does not include financial covenants.

Disclosures in relation to financial guarantees and commitments are included in Note 28.

Foreign exchange and interest rate risk

Man is subject to risk from changes in interest rates and foreign exchange rates on monetary assets and liabilities.

In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2016 a 50bp increase/decrease in these rates, with all other variables held constant, would have resulted in a \$1 million increase/decrease (2015: \$2 million increase or \$1 million decrease) in net interest income.

A 10% strengthening/weakening of the USD against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of \$3 million (2015: \$2 million loss/gain), with a corresponding impact on equity. This exposure is based on USD balances held by non-USD functional currency entities and non-USD balances held by USD functional currency entities within the Group.

In certain circumstances, the Group uses derivative financial instruments to hedge its risk associated with foreign exchange movements. Where fixed foreign currency denominated costs are hedged, the associated derivatives may be designated as cash flow hedges. Effective unrealised gains or losses on these instruments are recognised within the cash flow hedge reserve in equity and, when realised, these are reclassified to the Group income statement in the same line as the hedged item. The realisation of foreign currency operating cash flows and the associated forward foreign currency derivative contracts generally arise on a monthly basis. The fair value of derivatives held in relation to the Group's cash flow hedges at 31 December 2016 is a liability of \$18 million (2015: \$7 million). The Group also hedges its exposure to net investments in foreign operations through forward foreign exchange contracts where appropriate, with any effective gains or losses recognised in other comprehensive income and accumulated in the cumulative translation adjustment reserve within equity (Note 21). The fair value of derivatives held in relation to the Group's net investment hedges at 31 December 2016 is an asset of \$1 million (2015: nil). Any ineffective portion of these hedges is recognised immediately in profit or loss, and is included within income or gains on investments and other financial instruments.

Notes to the Group financial statements continued

14. Investments in fund products and other investments

	31 December 2016					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
\$m						
Loans to fund products	–	26	–	26	–	26
Investments in fund products	275	–	–	275	131	406
Other investments	–	–	3	3	–	3
Investments in line-by-line consolidated funds	490	–	–	490	–	490
	765	26	3	794	131	925

	31 December 2015					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
\$m						
Loans to fund products	–	41	–	41	–	41
Investments in fund products	224	–	–	224	119	343
Other investments	–	–	4	4	–	4
Investments in line-by-line consolidated funds	329	–	–	329	–	329
	553	41	4	598	119	717

Man's seeding investments are included in various Group balance sheet line items. In summary, the total seeding investments portfolio is made up as follows:

	Note	31 December 2016	31 December 2015
\$m			
Investments in fund products	14.1	275	224
Less those used to hedge deferred compensation awards	14.1	(75)	(71)
Consolidated net investments in funds – held for sale	14.2	131	119
Consolidated net investments in funds – line-by-line consolidation	14.2	285	213
Loans to funds	14.3	26	41
Seeding investments portfolio		642	526

14.1. Investments in fund products

Man uses capital to invest in our fund products as part of our ongoing business to build our product breadth and to trial investment research developments before we market the products to investors. These seeding investments are generally held for less than one year. Where Man is deemed not to control the fund, these are classified as investments in fund products. Investments in fund products are classified at fair value through profit or loss, with movements in fair value of \$55 million for the year ended 31 December 2016 (2015: \$14 million) being recognised through income or gains on investments and other financial instruments. Purchases and sales of investments are recognised on trade date.

Investments in fund products are not actively traded and the valuation at the fund level cannot be determined by reference to other available prices. The fair values of investments in fund products are derived from the reported NAVs of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products and the anticipated redemption horizon of the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of Man, Man has established oversight procedures and due diligence processes to ensure that the NAVs reported by the external valuation service providers are reliable and appropriate. Man makes adjustments to these NAVs where the anticipated redemption horizon, events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 26.

Investments in fund products expose Man to market risk and therefore this process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products is \$186 million (2015: \$170 million). The market risk from seeding investments is modelled using a value at risk methodology using a 95% confidence interval and one-year time horizon. The value at risk is estimated to be \$72 million at 31 December 2016 (2015: \$55 million).

Fund investments for deferred compensation arrangements

At 31 December 2016, investments in fund products included \$75 million (2015: \$71 million) of fund products related to deferred compensation arrangements. Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect to have their deferral in a designated selection of Man fund products. Changes in the fair value of the fund product awards are recognised over the relevant vesting period, which means the compensation expense changes based on the value of the fund products. The associated fund product investments are held to offset this change in compensation during the vesting period and at vesting the value of the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any gains or losses during the vesting period recognised as income or gains on investments and other financial instruments in the Group income statement.

14. Investments in fund products and other investments continued

14.2. Consolidation of investments in funds

Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group (Note 1). The fund is consolidated into the Group's results from the date control commences until it ceases. In 2016, eleven (2015: nine) investments in funds have met the control criteria and have therefore been consolidated (Note 31), either classified as held for sale or consolidated on a line-by-line basis as detailed below.

Held for sale

Where the Group acquires the controlling stake and actively markets the products to third-party investors, allowing the Group to redeem their share, and it is considered highly probable that it will relinquish control within one year from the date of initial investment, the investment in the controlled fund is classified as held for sale. The seeded fund is recognised on the Group balance sheet as non-current assets and liabilities held for sale, with the interests of any other parties included within non-current liabilities held for sale. Amounts recognised are measured at the lower of the carrying amount and fair value less costs to sell.

The non-current assets and liabilities held for sale are as follows:

\$m	31 December 2016	31 December 2015
Non-current assets held for sale	263	188
Non-current liabilities held for sale	(132)	(69)
Investments in fund products held for sale	131	119

Investments cease to be classified as held for sale when the fund is no longer controlled by the Group, at which time they are classified as financial assets at fair value through profit or loss (Note 14.1). Loss of control may eventuate through sale of the investment or a dilution in the Group's holding. If a held for sale fund remains under the control of the Group for more than one year, and it is unlikely that the Group will reduce or no longer control its investment in the short-term, it will cease to be classified as held for sale and will be consolidated on a line-by-line basis as below. Three investments in funds which were classified as held for sale in 2015 have been consolidated on a line-by-line basis for the year ending 31 December 2016 (2015: two held for sale funds at 31 December 2014).

Line-by-line consolidation

The investments relating to the six funds (2015: three) which are controlled and are consolidated on a line-by-line basis are included within the Group balance sheet and income statement as follows:

\$m	31 December 2016	31 December 2015
Balance Sheet		
Cash and cash equivalents	37	21
Transferrable securities ¹	490	329
Trade and other payables	(2)	(1)
Net assets of line-by-line consolidated fund entities	525	349
Third-party interest in consolidated funds	(240)	(136)
Net investment held by Man	285	213
Income statement		
Net gains/(losses) on investments ²	45	(16)
Management fee expenses ³	(9)	(4)
Performance fee expenses ³	(2)	–
Other costs ⁴	(3)	–
Net gains/(losses) of line-by-line consolidated fund entities	31	(20)
Third-party share of (gains) losses relating to interests in consolidated funds	(15)	9
Gains/(losses) attributable to net investment held by Man	16	(11)

Notes:

1 Included within Investments in fund products and other investments.

2 Included within Income or gains on investments and other financial instruments.

3 Relates to management and performance fees paid by the funds to Man during the year, and is eliminated within gross management and other fees in the Group income statement. The management fees elimination includes \$4 million in relation to the third-party share of these investments and therefore represents externally generated management fees (2015: nil).

4 Includes \$2 million in relation to the third-party share of these investments and therefore represents costs incurred externally (2015: nil).

Notes to the Group financial statements continued

14. Investments in fund products and other investments continued

14.3. Loans to fund products

Loans to fund products are short-term advances primarily to Man guaranteed products, which are made to assist with the financing of the leverage associated with the structured products. The loans are repayable on demand and are carried at amortised cost using the effective interest rate method. The average balance during the year is \$33 million (2015: \$75 million). Loans to fund products have decreased compared to the prior year as guaranteed product FUM has decreased together with the associated leveraging. The liquidity requirements of guaranteed products together with commitments to provide financial support (Note 28) which give rise to loans to funds are subject to our routine liquidity stress testing and any liquidity requirements are met by available cash resources, or the syndicated revolving credit facility.

Loans to fund products expose Man to credit risk and therefore the credit decision making process is subject to limits consistent with the Board's risk appetite. The carrying value represents Man's maximum exposure to this credit risk. Loans are closely monitored against the assets held in the funds. The largest single loan to a fund product at 31 December 2016 is \$4 million (2015: \$7 million). Fund entities are not externally rated, but our internal modelling indicates that fund products have a probability of default that is equivalent to a credit rating of A.

14.4. Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights, for example where contractual arrangements are the dominant factor in affecting an investor's returns. Man has evaluated all exposures and concluded that where Man holds an investment, loan, fees receivable, guarantee or commitment with an investment fund or a collateralised loan obligation, this represents an interest in a structured entity. The activities of these entities are governed by investment management agreements or, in the case of a collateralised loan obligation, the indenture.

The key considerations in assessing whether the Group controls a structured entity, and therefore should be consolidated into the Group's financial statements, are outlined in Note 1. Consolidated structured entities are detailed in Note 14.2.

Man's maximum exposure to loss from unconsolidated structured entities is the sum total of any investment held, fee receivables, accrued income, and loans to the fund entities, and is \$420 million for the year ended 31 December 2016 (2015: \$450 million). Man's interest in, and exposure to, unconsolidated structured entities is as follows:

Year ended 31 December 2016	Total FUM (\$bn)	Less infrastructure mandates and consolidated fund entities ¹ (\$bn)	Total FUM unconsolidated structured entities (\$bn)	Number of funds	Gross management fee margin ² (%)	Fair value of investment held (\$m)	Fee receivables and accrued income (\$m)	Loans to funds (\$m)	Maximum exposure to loss (\$m)
Alternative									
Quant (AHL/Numeric)	19.6	–	19.6	78	1.5	68	45	5	118
Discretionary (GLG)	13.9	0.5	13.4	66	1.0	130	21	–	151
Fund of funds (FRM)	12.8	5.0	7.8	94	0.7	4	17	–	21
Long only									
Quant (AHL/Numeric)	21.4	0.1	21.3	109	0.4	8	32	–	40
Discretionary (GLG)	12.8	0.1	12.7	33	1.0	50	15	–	65
Guaranteed	0.4	–	0.4	25	5.1	–	4	21	25
Total	80.9	5.7	75.2	405		260	134	26	420

Year ended 31 December 2015	Total FUM (\$bn)	Less infrastructure mandates and consolidated fund entities ² (\$bn)	Total FUM unconsolidated structured entities (\$bn)	Number of funds	Gross management fee margin ² (%)	Fair value of investment held (\$m)	Fee receivables and accrued income (\$m)	Loans to funds (\$m)	Maximum exposure to loss (\$m)
Alternative									
Quant (AHL/Numeric)	16.4	0.1	16.3	68	1.7	38	86	–	124
Discretionary (GLG)	16.3	0.2	16.1	66	1.0	150	43	–	193
Fund of funds (FRM)	11.9	2.9	9.0	107	0.9	4	18	–	22
Long only									
Quant (AHL/Numeric)	18.6	–	18.6	102	0.3	2	34	–	36
Discretionary (GLG)	14.2	–	14.2	32	1.0	4	20	–	24
Guaranteed	1.3	–	1.3	36	5.1	1	9	41	51
Total	78.7	3.2	75.5	411		199	210	41	450

Notes:

- For infrastructure mandates where we do not act as investment manager or advisor Man's role in directing investment activities is diminished and therefore these are not considered to be structured entities.
- Gross management fee margins are the categorical weighted average. Performance fees can only be earned after a high water mark is achieved. For performance fee eligible funds, performance fees are within the range of 10% to 20%.

14. Investments in fund products and other investments continued

Support by way of loans provided to unconsolidated structured entities is detailed in Note 14.3, and is included within the maximum exposure to loss above. Furthermore, on occasion Man agrees to purchase illiquid investments from the funds at market rates in order to facilitate investor withdrawals. Man has not provided any other non-contractual support to unconsolidated structured entities. Further information about risks relating to investment funds can be found in Principal risks and mitigants on pages 38 and 39.

15. Fee and other receivables

\$m	31 December 2016	31 December 2015
Fee receivables	30	63
Prepayments and accrued income	128	171
Derivative financial instruments	2	2
Other receivables	97	67
	257	303

Fee and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' net asset values are determined. The majority of fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances are overdue or delinquent at year end. At 31 December 2016, \$8 million (2015: \$12 million) of other receivables are expected to be settled after 12 months.

Details of derivatives used to hedge foreign exchange risk are included in Note 13. Other derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. All derivatives are held with external banks with ratings of BBB+ (2015: A) or higher and mature within one year. During the year, there were \$4 million net realised and unrealised gains arising from derivatives (2015: \$12 million). The notional value of all derivative financial assets is \$58 million (2015: \$144 million).

For the Open Ended Investment Collective (OEIC) funds businesses, Man acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemptions receivable from funds and payable to customers. At 31 December 2016, the amount included in other receivables is \$16 million (2015: \$26 million). The unsettled fund payable is recorded in trade and other payables (Note 16).

Notes to the Group financial statements continued

16. Trade and other payables

\$m	31 December 2016	31 December 2015
Accruals	253	322
Trade payables ¹	3	7
Contingent consideration	161	206
Derivative financial instruments	22	8
Other payables ¹	208	117
	647	660

Note:

¹ In the prior period the \$25 million payable relating to the OEICs fund business was presented within trade payables, however, it has been reclassified to other payables in the year in order to better reflect the nature of this balance. This is consistent with the classification of the OEICs fund receivables balance, as included within other receivables in Note 15.

Accruals primarily relate to compensation accruals. Contingent consideration relates to the amounts payable in respect of acquisitions (Note 26). Other payables include the remaining October 2016 announced share repurchase liability of \$65 million (Note 21), payables relating to the OEIC funds business of \$17 million (2015: \$25 million) and servicing fees payable to distributors.

Details of derivatives used to hedge foreign exchange risk are included in Note 13. The notional value of derivative financial liabilities at 31 December 2016 is \$334 million (2015: \$342 million). All derivative contracts mature within one year.

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2016 are balances of \$155 million (2015: \$178 million) which are expected to be settled after more than 12 months, which largely relate to contingent consideration. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

17. Provisions

\$m	Onerous property lease contracts	Litigation	Restructuring	Total
As 1 January 2016	32	24	2	58
Charged/(credited) to the income statement:				
Charge in the year	3	–	–	3
Exchange differences	(5)	–	–	(5)
Additional provisions	1	–	–	1
Used during the year/settlements	(4)	–	(2)	(6)
At 31 December 2016	27	24	–	51

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. All provisions are current, other than onerous property lease contracts as outlined below, given the Group does not have the unconditional right to defer settlement.

The \$3 million charge for onerous property lease contracts is included as an adjusting item as outlined in Note 2. Provisions for onerous property lease contracts represent the present value of the future lease payments that the Group is presently obliged to make under non-cancellable onerous operating lease contracts, less the future benefit expected to be generated from these, including sub-lease revenue where applicable. The unexpired terms of the onerous leases range from two to 19 years, with all onerous property lease contracts therefore non-current.

Provisions for restructuring are recognised when the obligation arises, following communication of the formal plan.

18. Investments in associates

Associates are entities in which Man holds an interest and over which it has significant influence but not control, and are accounted for using the equity method. In assessing significant influence Man considers the investment held and its power to participate in the financial and operating policy decisions of the investee through its voting or other rights. Further details of Man's equity investment holdings are included in Note 31.

Under the equity method associates are carried at cost plus (or minus) our share of cumulative post-acquisition movements in undistributed profits (or losses). Gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interests in these entities. An impairment assessment of the carrying value of associates is performed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and any impairment is expensed in the Group income statement.

Man's investments in associates are as follows:

\$m	Year ended 31 December 2016			Year ended 31 December 2015		
	Nephila Capital Ltd	Other	Total	Nephila Capital Ltd	Other	Total
At beginning of the year	28	2	30	28	2	30
Share of post-tax profit/(loss)	3	(1)	2	3	—	3
Dividends received	(1)	—	(1)	(3)	—	(3)
At year end	30	1	31	28	2	30

Nephila Capital Limited is an alternative investment manager based in Bermuda specialising in the management of funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives. Man has not provided any financial support to associates during the year to 31 December 2016 (2015: nil).

Commission income relating to sales of Nephila Capital Limited products totalled \$12 million for the year ended 31 December 2016 (2015: \$14 million), and is included within gross management and other fees in the Group income statement.

19. Leasehold improvements and equipment

\$m	Year ended 31 December 2016			Year ended 31 December 2015		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Net book value at beginning of the year	32	12	44	38	14	52
Additions	3	8	11	2	5	7
Disposals	—	—	—	(1)	(1)	(2)
Depreciation expense	(6)	(5)	(11)	(7)	(6)	(13)
Net book value at year end	29	15	44	32	12	44

All leasehold improvements and equipment are recorded at cost less depreciation and impairment. Cost includes the original purchase price of the asset and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated using the straight-line method over the asset's estimated useful life, which for leasehold improvements is over the shorter of the life of the lease and the improvement (up to 24 years) and for equipment is between three and ten years.

20. Deferred compensation arrangements

Man operates equity-settled share-based payment schemes as well as fund product based compensation arrangements. Details of these schemes can be found in the Directors' remuneration report on pages 64 to 89.

For compensation plans whereby deferred compensation is invested in fund products managed by Man, the fair value of the employee services received in exchange for the fund units is recognised as an expense over the vesting period, with a corresponding liability. The total amount to be expensed is determined by reference to the fair value of the awards, which is remeasured at each reporting date, and equates to the fair value of the underlying fund products at settlement date.

During the year, \$55 million (2015: \$53 million) relating to share-based payment and deferred fund product plans is included within compensation costs (Note 5), consisting of share-based payments of \$18 million (2015: \$18 million) and deferred fund product plans of \$37 million (2015: \$35 million). The unamortised deferred compensation at year end is \$43 million (2015: \$49 million) and has a weighted average remaining vesting period of 1.9 years (2015: 2.1 years).

Notes to the Group financial statements continued

20. Deferred compensation arrangements continued

20.1 Employee Trusts

The Employee Trusts have the obligation to deliver shares, options and fund product based payments which have been granted to employees. Man contributed funds, in order for the Trusts to meet their current period obligations, of \$38 million (2015: \$37 million).

The Employee Trusts are fully consolidated into Man and shares held are treated as treasury shares for EPS purposes (Note 9). The shares held by the Employee Trusts are deducted from Tier 1 Capital (Note 21). The Employee Trusts are controlled by independent trustees and their assets are held separately from those of Man. At 31 December 2016, the net assets of the Employee Trusts amounted to \$69 million (2015: \$80 million). These assets include 19,614,073 (2015: 22,077,638) ordinary shares in the Company, \$10 million notional value options over Man shares (2015: \$11 million), and \$24 million of fund units (2015: \$29 million) to deliver against the future obligations. The shares are recorded at cost and shown as a deduction from shareholders' funds. During the year the trustees of one of the Employee Trusts waived all of the interim dividend for the year ended 31 December 2016 on each of the 20,732,057 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2015 interim dividend: waived on all 21,509,210 shares) and all of the final dividend for the year ended 31 December 2015 on each of 21,180,272 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2014 final dividend: waived on all 21,473,372 shares).

20.2 Share-based payments

In respect of equity-settled share-based payment schemes, the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards and options at grant date. The fair value of the share awards and options granted in exchange for employee services is calculated using the Black-Scholes valuation model that takes into account the effect of both financial and demographic assumptions. Forfeiture and early vesting are based on historical observable data. Changes to the original estimates, if any, are included in the Group income statement, with a corresponding adjustment to equity.

Share options

The fair values of share options granted during the year and the assumptions used in the calculations are as follows:

	Sharesave share option schemes
Grant date	15/09/2016
Weighted average share price at grant date (\$) (£1.16)	1.5
Weighted average exercise price at grant date (\$) (£0.90)	1.2
Share options granted in the period	3,589,100
Vesting period (years)	3–5
Expected share price volatility (%)	45
Dividend yield (%)	6
Risk-free rate (%)	0.2
Expected option life (years)	3.3
Number of options assumed to vest	2,732,645
Average fair value per option granted (\$)	0.4

The expected share price volatility is based on historical volatility over the past ten years. The expected option life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon US and UK (where appropriate) government bonds of a term consistent with the assumed option life.

Movements in the number of share options outstanding are as follows:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of the year	46,035,268	4.3	50,973,919	4.2
Granted	3,589,100	1.2	1,891,097	2.0
Forfeited	(1,571,532)	1.9	(4,959,775)	4.1
Expired	(2,704,615)	2.5	–	–
Exercised	(351,192)	1.2	(1,869,973)	1.0
Share options outstanding at year end	44,997,029	4.2	46,035,268	4.3
Share options exercisable at year end	38,830,924	4.7	41,535,779	4.6

20. Deferred compensation arrangements continued

The share options outstanding at year end have a weighted average exercise price and expected remaining life as follows:

Range of exercise prices (\$ per share)	31 December 2016			31 December 2015		
	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life
1.01–5.00	44,997,029	3.6	3.8	45,987,250	4.0	4.8
5.01–7.00	–	–	–	48,018	5.9	0.5
	44,997,029			46,035,268		

Share awards

The fair values of share awards granted during the year and the assumptions used in the calculations are as follows:

	Deferred share plan	Deferred Executive Incentive Plan
Grant dates	10/3/2016–15/12/2016	10/3/2016
Share awards granted in the year	9,842,529	1,322,497
Average fair value per share award granted (\$)	2.1	2.2

Movements in the number of share awards outstanding are as follows:

	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Share awards outstanding at beginning of the year	24,261,290	22,218,804
Granted	11,165,026	12,558,058
Forfeited	(2,309,994)	(849,476)
Exercised	(10,592,957)	(9,666,096)
Share awards outstanding at year end	22,523,365	24,261,290
Share awards exercisable at year end	650,191	1,754,140

21. Capital management

Investor confidence is an important element in the sustainability of our business. That confidence comes, in part, from the strength of our capital base. Man has maintained significant surplus capital and available liquidity throughout the recent periods of market volatility. Details of the Group's syndicated revolving loan facility, which provides additional liquidity, are provided in Note 13. This capital has given Man flexibility to support our investors, intermediaries and financial partners, and to allow them to make informed decisions regarding their investment exposures. This confidence gives our business credibility and sustainability.

We have a conservative capital and liquidity framework which allows us to invest in the growth of our business. We utilise capital to support the operation of the investment management process and the launch of new fund products. We view this as a competitive advantage which allows us to directly align our interests with those of investors and intermediaries.

Man monitors its capital requirements through continuous review of its regulatory and economic capital, including monthly reporting to the Risk and Finance Committee and the Board. Man Group plc's distributable reserves are \$1.8 billion (2015: \$1.9 billion) before payment of the proposed final dividend (Note 10). Further details of the Group's regulatory capital position are included in the Chief Financial Officer's review on page 35.

Man's dividend policy is that we will pay out at least 100% of adjusted net management fee earnings per share in each financial year by way of ordinary dividend. In addition, Man expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available capital surpluses will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities. Further details are provided within the Chief Financial Officer's Review on page 35.

Share capital and capital reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Own shares held through the Employee Trusts are recorded at cost, including any directly attributable incremental costs (net of tax), and are deducted from equity attributable to the Company's equity holders until the shares are transferred to employees or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Notes to the Group financial statements continued

21. Capital management continued

Ordinary shares

Ordinary shares have a par value of 3^{3/7} US cents per share (2015: 3^{3/7} US cents per share) and represent 99.9% of issued share capital. All issued shares are fully paid. The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption. Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings. A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll and one vote only when a vote is taken on a show of hands.

During the year ended 31 December 2016 \$35 million (2015: \$175 million) of shares were repurchased at an average price of 119.7 pence (2015: 195.6 pence), buying back 23.5 million shares (2015: 59.0 million shares), which increased the statutory loss per ordinary share (Note 9) by approximately 0.1% (2015: accretive impact on EPS of approximately 2%). This relates to partial completion of the anticipated \$100 million share repurchase as announced in October 2016. As at 28 February 2017, Man Group had an unexpired authority to repurchase up to 216,367,549 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting (AGM), pursuant to which the Company will seek authority to repurchase up to 250,436,551 of its ordinary shares, representing 14.99% of the issued share capital at 28 February 2017. Should the Company's issued share capital as at the date of the AGM be lower than the issued share capital as at 28 February 2017 (being the latest practicable date prior to publication) the directors will limit the Company's use of this authority to 14.99% of the Company's issued share capital as at the date of the AGM.

Deferred sterling shares

50,000 unlisted deferred sterling shares, representing 0.1% of the Company's issued share capital with a par value of £1 per share, were issued due to the redenomination of the ordinary share capital into USD. These shares are necessary for the Company to continue to comply with Section 763 of the Companies Act 2006. The deferred sterling shares are freely transferable and have no rights to participate in the profits of the Company, to attend, speak or vote at any general meeting and no right to participate in any distribution in a winding up except for a return of the nominal value in certain limited circumstances.

Issued and fully paid share capital

	Year ended 31 December 2016			Year ended 31 December 2015		
	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value \$m	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value \$m
At 1 January	1,700,811,013	50,000	59	1,756,290,714	50,000	61
Purchase and cancellation of own shares	(23,474,213)	–	(1)	(58,996,084)	–	(2)
Issue of ordinary shares: Partnership Plans and Sharesave	2,584,094	–	–	3,516,383	–	–
At 31 December	1,679,920,894	50,000	58	1,700,811,013	50,000	59

Share capital and reserves

	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
\$m						
At 1 January 2016	59	14	4	491	632	1,200
Purchase and cancellation of own shares	(1)	–	1	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	–	5	–	–	–	5
At 31 December 2016	58	19	5	491	632	1,205
At 1 January 2015	61	7	2	491	632	1,193
Purchase and cancellation of own shares	(2)	–	2	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	–	7	–	–	–	7
At 31 December 2015	59	14	4	491	632	1,200

21. Capital management continued

Revaluation reserves and retained earnings

\$m	Profit and loss account	Own shares held by Employee Trusts	Cumulative translation adjustment ¹	Cash flow hedge reserve ¹	Available-for-sale reserve	Total
At 1 January 2016	1,105	(62)	(25)	(5)	2	1,015
Currency translation difference	–	10	(14)	–	–	(4)
Share-based payments charge	17	–	–	–	–	17
Current tax credited on share-based payments	1	–	–	–	–	1
Deferred tax debited on share-based payments	(2)	–	–	–	–	(2)
Purchase of own shares by the Employee Trusts	–	(13)	–	–	–	(13)
Disposal of own shares by the Employee Trusts	(22)	22	–	–	–	–
Transfer to Group income statement	–	–	–	23	–	23
Fair value losses on cash flow hedges	–	–	–	(35)	–	(35)
Deferred tax credited on cash flow hedge movements	–	–	–	2	–	2
Revaluation of defined benefit pension scheme	(17)	–	–	–	–	(17)
Current tax credited on pension scheme	4	–	–	–	–	4
Deferred tax credited on pension scheme	3	–	–	–	–	3
Share repurchases	(101)	–	–	–	–	(101)
Dividends	(158)	–	–	–	–	(158)
Statutory loss	(266)	–	–	–	–	(266)
At 31 December 2016	564	(43)	(39)	(15)	2	469

\$m	Profit and loss account	Own shares held by Employee Trusts	Cumulative translation adjustment ¹	Cash flow hedge reserve ¹	Available-for-sale reserve	Total
At 1 January 2015	1,330	(62)	(14)	(16)	3	1,241
Currency translation difference	–	3	(11)	–	–	(8)
Share-based payments charge	15	–	–	–	–	15
Purchase of own shares by the Employee Trusts	–	(30)	–	–	–	(30)
Disposal of own shares by the Employee Trusts	(27)	27	–	–	–	–
Transfer to Group income statement	–	–	–	18	(1)	17
Fair value losses on cash flow hedges	–	–	–	(9)	–	(9)
Deferred tax credited on cash flow hedge movements	–	–	–	2	–	2
Revaluation of defined benefit pension scheme	(21)	–	–	–	–	(21)
Current tax credited on pension scheme	4	–	–	–	–	4
Deferred tax credited on pension scheme	2	–	–	–	–	2
Share repurchases	(176)	–	–	–	–	(176)
Dividends	(193)	–	–	–	–	(193)
Statutory profit	171	–	–	–	–	171
At 31 December 2015	1,105	(62)	(25)	(5)	2	1,015

Note:

¹ Details of the Group's hedging arrangements are provided in Note 13.

22. Pension

Man operates 12 (2015: 12) defined contribution plans and two (2015: two) funded defined benefit plans.

Defined contribution plans

Man pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Man has no further payment obligation once the contributions have been paid. Defined contribution pension costs totalled \$10 million for the year to 31 December 2016 (2015: \$9 million) and are recognised as pension costs in the Group income statement when they are due.

Defined benefit plans

A defined benefit plan creates a financial obligation to provide funding to the pension plan to provide a retired employee with pension benefits usually dependent on one or more factors such as age, years of service and compensation. As with the vast majority of similar arrangements, Man ultimately underwrites the risks related to the defined benefit plans. These risks include investment risks and demographic risks, such as members living longer than expected.

The two defined benefit plans operated are the Man Group plc Pension Fund in the UK (the UK Plan) and the Man Group Pension Plan in Switzerland (the Swiss Plan). At 31 December 2016, the UK plan comprised 93% (31 December 2015: 91%) of the Group's total defined benefit pension obligations.

Notes to the Group financial statements continued

22. Pension continued

The UK Plan is approved by HMRC for tax purposes, and is operated separately from Man and managed by independent trustees. The trustees are responsible for payment of the benefits and management of the UK Plan's assets. Under UK regulations, Man and the trustees of the UK Plan are required to agree a funding strategy and contribution schedule for the UK Plan.

In order to maintain flexibility with regards to the funding of the UK Plan, Man set up the Man Group Reservoir Trust (the Reservoir Trust) in 2010. Man contributed \$76 million (£50 million) of assets to the Reservoir Trust on 31 March 2010 and has committed to ensure the Reservoir Trust value remains at least £69 million from 1 April 2013 or at the level of the funding deficit in the UK Plan, if lower. The Reservoir Trust gives the pension trustees comfort that Man can fund a deficit at 31 December 2017 and in the event that the UK Plan is fully funded, allows Man to recover the assets so that the UK Plan is not over funded.

The Reservoir Trust is treated as an asset of the UK plan as: (1) the Reservoir Trust is legally separate from Man and exists solely to fund employee benefits; (2) the assets of the Reservoir Trust are passed to the UK Plan in the event of any default or insolvency situation, such that they are not available to Man's creditors; and (3) the funding position of the UK Plan is in deficit.

The latest funding valuation of the UK Plan was carried out by independent qualified actuaries as at 31 December 2014 and indicated a deficit of £11 million, after including £59 million of assets in the Reservoir Trust. To remove the funding deficit, Man agreed to make a cash payment of £11.8 million to the UK Plan during 2015 along with a further payment in March 2018 of up to £69.0 million from the Reservoir Trust to cover any remaining funding deficit. Cash contributions of £2.3 million were made to the UK Plan in the year to 31 December 2016 (all in respect of top-up payments to the Reservoir Trust in line with the requirements of the Reservoir Trust). If the contributions currently agreed are insufficient to pay the benefits due, Man will need to make further contributions.

For the UK Plan, the Group has concluded that it has no requirement to adjust the balance sheet to recognise either a current surplus or a minimum funding requirement on the basis that the Group has an unconditional right to a refund of a current or projected future surplus at some point in the future.

For the Swiss Plan, there is a small asset restriction at the 2016 year end. The Swiss Plan holds some of its assets in an 'employer contribution reserve', which can be used to reduce the Group's future contributions into the plan. As the employer contribution reserve is less than the measured surplus as at 31 December 2016, the surplus has been restricted to the value of the employer contribution reserve.

The UK Plan was closed to new members in May 1999, and to future accrual in May 2011. Employed members of the UK Plan retain enhanced benefits, including a link to salary, on their accrued benefits in the UK Plan. Future benefits are provided via a defined contribution plan.

In Switzerland, the Group operates a retirement foundation with assets which are held separately from the Group. This foundation covers the majority of employees in Switzerland and provides benefits on a cash balance basis.

Each employee has a retirement account to which the employee and the Group make contributions at rates set out in the plan rules based on a percentage of salary. Every year the pension fund commission (composed of employer and employee representatives) decides the level of interest, if any, to apply to retirement accounts based on their agreed policy. At retirement an employee can take their retirement account as a lump sum or have this paid as a pension.

The amounts recognised in the Group balance sheet are determined as follows:

\$m	31 December 2016	31 December 2015
Present value of funded obligations	(426)	(422)
Fair value of plan assets	455	471
Surplus	29	49
Amount not recognised due to asset ceiling – Swiss Plan (see above)	(2)	(1)
Net pension asset in the Group balance sheet at year end	27	48

The decrease in the net pension asset from 31 December 2015 to 31 December 2016 is driven by the UK plan, largely as a result of the significant decrease in the discount rate assumption due to the large fall in corporate bond yields over the year, partially offset by assets performing above the liability growth rate (discount rate) and the top-up payments made to the Reservoir Trust.

Our economic capital model includes capital in respect of a possible deficit in the pension plans.

22. Pension continued

Pensions: actuarial information

Changes in the present value of the defined benefit obligations are as follows:

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Present value of funded obligations at beginning of the year	422	438
Currency translation difference	(66)	(20)
Current service cost (employer portion)	2	3
Interest cost	13	14
Employee contributions	1	1
Remeasurements due to:		
– changes in financial assumptions	76	(4)
– changes in demographic assumptions	1	8
– experience adjustments	(1)	–
Actual benefit payments	(16)	(12)
Past service costs	–	(4)
Curtailments and settlements	(6)	(2)
Present value of funded obligations at year end	426	422

Changes in the fair value of plan assets are as follows:

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Fair value of plan assets at beginning of the year	471	483
Currency translation difference	(75)	(23)
Interest income on plan assets	15	16
Actual return on plan assets less interest on plan assets	60	(16)
Employer contributions/(repayments)	3	24
Employee contributions	1	1
Benefits paid	(16)	(12)
Assets distributed on curtailments and settlements	(4)	(2)
Fair value of plan assets at year end	455	471

The plan assets primarily relate to investments in bonds, liability-driven investments (LDIs) and diversified growth funds. The government bond assets and diversified growth funds have prices quoted in active markets and the absolute return bonds and LDI are primarily unquoted. At 31 December 2016, around 65% of the plan assets relate to those with quoted prices and 35% with unquoted prices (2015: around 60% quoted and 40% unquoted). The actual return on plan assets for the year to 31 December 2016 was \$70 million (2015: nil).

The change in the net asset/(liability) recognised on the Group balance sheet is as follows:

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Net pension asset at start of the year	48	45
Total pension credit	2	3
Amount recognised outside profit and loss	(17)	(21)
Employer contributions	3	24
Currency translation difference	(9)	(3)
Net pension asset at end of the year	27	48

The amounts recognised in the Group income statement are as follows:

\$m	Year ended 31 December 2016	Year ended 31 December 2015
Current service cost (employer portion)	2	3
Interest on net pension asset	(2)	(2)
Past service cost/(credit)	–	(4)
Gains on settlement/curtailment	(2)	–
Total credit	(2)	(3)

The \$2 million gains on settlement/curtailment credit in 2016 relates to the restructuring and has been classified as an adjusting item (Note 2). In 2015, two changes were made to the structure of the benefits provided by the Swiss Plan, which led to the recognition of past service credits totalling \$4 million.

There are no contributions expected to be paid during the year ending 31 December 2017.

Notes to the Group financial statements continued

22. Pension continued

The amounts recognised in other comprehensive income are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
\$m		
Net actuarial gains/(losses) in the year due to:		
– changes in financial assumptions	(76)	4
– changes in demographic assumptions	(1)	(8)
– experience adjustments on benefit obligations	1	–
Actual return on plan assets less interest on plan assets	60	(16)
Adjustment to recognise the effect of the asset ceiling	(1)	(1)
Amount recognised in other comprehensive income	(17)	(21)

The most significant actuarial assumptions used in the valuations of the two plans are:

	UK Plan		Swiss Plan	
	31 December 2016 % p.a.	31 December 2015 % p.a.	31 December 2016 % p.a.	31 December 2015 % p.a.
Discount rate	2.6	3.7	0.8	1.2
Price inflation	3.3	3.3	1.2	1.3
Future salary increases	3.3	3.3	1.2	1.3
Interest crediting rate	–	–	0.8	1.2
Social security increases	–	–	1.0	1.0
Pension in payment increases	3.7	3.7	–	–
Deferred pensions increases	5.0	5.0	–	–

At 31 December 2016 and 31 December 2015, mortality rates in the UK Plan are assumed to be in line with 100% of the S2NA Light tables for all members with pensions of more than £50,000 p.a. at 31 December 2014 and S2NA tables for all other members. These mortality tables are assumed to be projected by year of birth with allowance for future improvements in longevity in line with the 2015 CMI projections with a long-term rate of improvement of 1.25% p.a. for males and females.

At 31 December 2016, mortality rates in the Swiss Plan were updated to be in line with the Swiss BVG 2015 generational tables (2015: in line with the Swiss BVG 2010 generational tables).

Illustrative life expectancies are set out in the table below (the UK Plan life expectancies are based on the S2NA tables).

	UK Plan		Swiss Plan	
Years	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Life expectancy of male aged 60 at accounting date	27.2	27.1	27.1	26.3
Life expectancy of male aged 60 in 20 years	29.0	28.9	29.0	28.1
Life expectancy of female aged 60 at accounting date	29.4	29.3	29.3	28.9
Life expectancy of female aged 60 in 20 years	31.4	31.3	31.2	30.6

The table below illustrates the impact on the assessed value of the benefit obligations from changing the actuarial assumptions (in isolation). The calculations to produce the below figures have been carried out using the same method and data as Man's pension figures. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

As at 31 December 2016:

	UK Plan	Swiss Plan
\$m	Increase in obligation	
Discount rate decreased by 0.1% p.a.	7	1
Inflation rate increased by 0.1% p.a.	2	–
One year increase in assumed life expectancy	15	1

The duration of a pension plan is the average term over which the plan's benefits are expected to fall due, weighted by the present value of each expected benefit payment. The duration of the UK Plan is approximately 19 years, and the duration of the Swiss Plan is approximately 21 years.

22. Pension continued

The assets held by the two plans as at 31 December 2016 are as follows:

	UK Plan		Swiss Plan	
	\$m	%	\$m	%
Swiss equities	–	–	4	10
Non-Swiss equities	–	–	6	17
Index-linked government bonds	40	10	–	–
Absolute return bonds	43	10	–	–
Swiss bonds	–	–	12	33
Non-Swiss bonds	–	–	5	14
Property	–	–	6	16
Hedge funds	–	–	1	3
LDI	97	23	–	–
Diversified growth funds	95	23	–	–
Cash	63	15	1	3
Other	–	–	2	4
Reservoir Trust (fund of hedge funds)	80	19	–	–
Total assets	418	100	37	100

The plans do not invest directly in property occupied by Man or in Man's own transferable financial securities.

The UK Plan's investment strategy is broadly split into 'growth' and 'matching' portfolios. The matching portfolio is invested primarily in government and corporate bonds (the latter through the 'Absolute return bonds' holding), and LDI funds. These are primarily intended to match the movement in the UK Plan's funding liabilities, and therefore remove most of the interest rate risk and some of the inflation rate risk (on a Technical Provisions basis).

As the Swiss Plan is essentially a defined contribution plan with guarantees, the assets held aim to be at least as much as the total of the member account balances at any point in time. Member account balances cannot reduce, but interest is only applied to the account balances when sufficient surplus assets are available. As such there is no specific asset/liability matching strategy in place, but if the liabilities (the sum of the member account balances) ever exceed the value of the assets, the Company will consider how to remove a deficit as quickly as possible.

23. Segmental analysis

The criteria for identifying an operating segment is that it is a component of Man whose results are regularly reviewed by the Board and the Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance. Management information regarding revenues, gross management fee margins, investment performance and distribution costs relevant to the operation of the investment managers, products and the investor base are reviewed by the Board and the Executive Committee. A centralised shared infrastructure for operations, product structuring, distribution and support functions for each of the four investment managers which Man incorporates (AHL, GLG, FRM and Numeric) means that operating costs are not allocated to constituent parts of the investment management business. As a result, performance is assessed, resources are allocated and other strategic and financial management decisions are determined by the Board and the Executive Committee on the basis of the investment management business of Man as a whole. Accordingly, we operate and report as a single segment investment management business, together with relevant information regarding FUM flows, gross margins and distribution costs, to allow for analysis of the direct contribution of products and the respective investor base.

24. Geographical disclosure

\$m	Year ended 31 December 2016		Year ended 31 December 2015	
	Non-current assets	Revenues by fund location	Non-current assets	Revenues by fund location
Cayman Islands	1	297	1	383
Ireland	–	155	–	212
United Kingdom and the Channel Islands	74	109	81	151
United States of America	941	90	1,382	87
Other countries	100	176	121	302
	1,116	827	1,585	1,135

Disclosure of revenue by geographic location is based on the registered domicile of the fund entity paying Man fees. Revenue from any single fund during the year did not exceed 10% of total revenues. Non-current assets are allocated based on where the assets are located, and include investments in associates, leasehold improvements and equipment, and goodwill and other intangible assets.

Notes to the Group financial statements continued

24. Geographical disclosure continued

Average number of directors, employees and partners

The table below provides average headcount by location:

	Year ended 31 December 2016	Year ended 31 December 2015
United Kingdom and the Channel Islands	744	681
United States of America	224	199
Switzerland	104	118
Other countries	108	108
Average number of directors, employees and partners	1,180	1,106

25. Foreign currencies

The majority of revenues, assets, liabilities and financing are denominated in USD and therefore Man's presentation currency is USD.

For consolidated entities with a USD functional currency, monetary assets and liabilities denominated in foreign currencies are translated at each balance sheet date rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Transactions denominated in foreign currencies are converted at the spot rate at the date of the transaction or, if appropriate, the average rate for the month in which the transaction occurs. Resulting exchange differences are recognised in the Group income statement.

For consolidated entities that have a functional currency other than USD, the assets and liabilities are translated into USD at the balance sheet date rate. Income and expenses are translated at the average rate for the period in which the transactions occur. Resulting exchange differences are recorded in other comprehensive income.

26. Fair value of financial assets/liabilities

Man discloses the fair value measurement of financial assets and liabilities using three levels, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets and liabilities can be analysed as follows:

\$m	31 December 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products and other investments (Note 14)	3	207	68	278	4	162	62	228
Investments in line-by-line consolidated funds (Note 14)	–	490	–	490	–	329	–	329
Derivative financial instruments (Note 15)	–	2	–	2	–	2	–	2
	3	699	68	770	4	493	62	559
Financial liabilities held at fair value:								
Derivative financial instruments (Note 16)	–	22	–	22	–	8	–	8
Contingent consideration (Note 16)	–	–	161	161	–	–	206	206
	–	22	161	183	–	8	206	214

During the year, there were no significant changes in the business or economic circumstances that affected the fair value of Man's financial assets and no significant transfers of financial assets or liabilities held at fair value between categories. For investments in fund products, Level 2 investments comprise holdings primarily in unlisted, open-ended, active and liquid funds, such as seeding investments, which have daily or weekly pricing derived from third-party information.

A transfer into Level 3 would be deemed to occur where the level of prolonged activity, as evidenced by subscriptions and redemptions, is deemed insufficient to support a Level 2 classification. This, as well as other factors such as a deterioration of liquidity in the underlying investments, would result in a Level 3 classification. The material holdings within this category are priced on a recurring basis based on information supplied by third-parties without adjustment. Liquidity premium adjustments of \$1 million (2015: \$2 million) have been applied to gated, suspended, side-pocketed or otherwise illiquid Level 3 investments. The range of liquidity premium adjustments is from 12% to 33% based on the expected timeframe for exit, with a larger liquidity adjustment applied where the exit is further in the future. Reasonable changes in the liquidity premium assumptions would not have a significant impact on the fair value.

26. Fair value of financial assets/liabilities continued

The fair values of non-current assets and liabilities held for sale (Note 14.2) are equal to the carrying values of \$263 million (2015: \$188 million) and \$132 million respectively (2015: \$69 million), and would be classified within Level 2. In 2015, non-current assets and liabilities held for sale would have been classified as Level 2 (\$108 million) and Level 3 (\$11 million). The fair value of borrowings (Note 13) is \$157 million (2015: \$157 million) and would have been classified as Level 1.

The basis of measuring the fair value of Level 3 investments is outlined in Note 14.1. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
\$m				
Level 3 financial assets/(liabilities) held at fair value				
At beginning of the year	62	(206)	42	(145)
Assets reclassified from held for sale	11	–	–	–
Purchases	8	–	25	(23)
Total gains in the Group statement of comprehensive income	1	20	9	(79)
Profit/(loss) included in income statement	1	20	9	(79)
Included in other comprehensive income	–	–	–	–
Sales or settlements	(14)	25	(14)	41
At year end	68	(161)	62	(206)
Total gains/(losses) for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end	1	20	9	(79)

The financial liabilities in Level 3 primarily relate to the contingent consideration payable at 31 December 2016 to the former owners of Numeric (\$150 million), with the remaining \$11 million relating to contingent consideration for other smaller acquisitions. In 2015, these largely related to the contingent consideration payable in relation to the Numeric and FRM acquisitions.

	Year ended 31 December 2016			Year ended 31 December 2015		
	Numeric	Other	Total	Numeric	Other	Total
\$m						
Contingent consideration payable						
At beginning of the year	164	42	206	110	35	145
Purchases	–	–	–	–	23	23
Revaluation of contingent consideration	(28)	(12)	(40)	61	1	62
Unwind of contingent consideration	18	1	19	12	5	17
Finance expense	–	1	1	–	–	–
Sales or settlements	(4)	(21)	(25)	(19)	(22)	(41)
At year end	150	11	161	164	42	206

The Numeric contingent consideration relates to an ongoing 18.3% equity interest of Numeric management in the business and profit interests of 16.5%, pursuant to a call and put option arrangement. The call and put option structure means that it is virtually certain that Man will elect to, or be obliged to, purchase the interests held by Numeric management at five (call option) or five and a half (put option) years post-closing (5 September 2014). The maximum aggregate amount payable by Man in respect of the option consideration is capped at \$275 million.

The fair values are based on discounted cash flow calculations, which represent the expected future profits of each business as per the earn-out arrangements. The fair values are determined using a combination of inputs, such as weighted average cost of capital, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The post-tax discount rates applied are 11% for management fees and 17% for performance fees.

The most significant inputs into the valuations at 31 December 2016 are as follows:

	Numeric
Weighted average net management fee margin (over the remaining earn-out period)	0.4%
Compound average annualised growth in FUM (over the remaining earn-out period)	9%

A 0.1% increase/decrease in the weighted average net management fee margin would result in a \$59 million increase/decrease in the contingent consideration creditor at 31 December 2016. A 1% increase/decrease in the compound average annualised growth in FUM (over the remaining earn-out period) would result in a \$5 million increase/decrease in the contingent consideration creditor at 31 December 2016.

Increases/(decreases) in the fair value of the contingent consideration creditor would have a corresponding (expense)/gain in the Group income statement.

Notes to the Group financial statements continued

27. Related party transactions

Related parties comprise key management personnel, associates and fund entities which we are deemed to control. All transactions with related parties were carried out on an arm's length basis.

Refer to Note 18 for details of income earned from associates. Management fees earned from fund entities in which Man holds a controlling interest are detailed in Note 14. Contingent consideration payable to Numeric management is detailed in Note 26.

The Executive Committee, together with the non-executive directors, are considered to be the Group's key management, being those directors, partners and employees having authority and responsibility for planning, directing and controlling the activities at Man. The average key management headcount for the year to 31 December 2016 has increased by around 13% from 2015.

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Key management compensation		
Salaries and other short-term employee benefits ¹	24,263	33,152
Share-based payments	7,114	4,408
Fund product based payment charge	9,589	6,095
Pension costs	290	405
Total	41,256	44,060

Note:

1 Includes salary, benefits and cash bonus.

Man Group plc made a charitable donation of £50,000 to Greenhouse Sports Ltd during the year (2015: £50,000), which is considered a related party. In addition, £1,800 (2015: £10,320) was paid to Victoria Wall Associates Limited, a recruitment firm, which is considered a related party.

28. Financial guarantees and commitments

28.1 Daylight settlement facilities

From time to time Man provides a guarantee over certain bank accounts of structured product entities to secure daylight settlement facilities which allow for the efficient movement of cash during the trading day. In aggregate these guarantees had a notional amount of \$50 million (2015: \$50 million). Ordinarily no net exposure exists at the end of any given day and the fair value of these commitments has been determined to be nil (2015: nil).

28.2 Intra-day and overnight credit facilities

Man guarantees the obligations under a \$500 million intra-day (2015: \$500 million) and \$25 million overnight credit facilities (2015: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2016, the exposure under the intra-day facility is nil (2015: nil) and the overnight facility exposure is nil (2015: nil). The fair value of these commitments has been determined to be nil (2015: nil).

28.3 Operating lease commitments

\$m	31 December 2016				31 December 2015			
	Within 1 year	1–5 years	After 5 years	Total	Within 1 year	1–5 years	After 5 years	Total
Operating lease commitments	25	57	265	347	29	70	261	360
Including offsetting non-cancellable sublease arrangements	19	66	30	115	18	72	52	142

Rent and associated expenses for all leases are recognised on a straight-line basis over the life of the respective lease. The operating lease commitments primarily include the agreements for lease contracts for the headquarters at Riverbank House, London (expiring in 2035), the UK Data Centres (Woking expiring in 2019 and Redhill expiring in 2020), and our main New York office (expiring in 2022), which aggregate to \$324 million (2015: \$318 million).

28.4 Committed purchase agreements (CPAs)

In 2015, Man had commitments to buy underlying investments to create liquidity, which covered investments in existing fund products totalling \$19 million. The commitment has now expired.

29. Post balance sheet events

On 1 January 2017, the Board completed the acquisition of Aalto Invest Holding AG ('Aalto'), with an estimated acquisition fair value of approximately \$78 million. Aalto is a US and Europe-based real asset focused investment manager with \$1.8 billion of funds under management at 1 January 2017. The estimated acquisition fair value largely represents goodwill in the acquired business, and also includes other acquired intangible assets such as investment management agreements. The acquisition consideration is structured to align Aalto's interests with those of Man, and comprises an upfront payment of \$25 million and four earn-out payments. The earn-out payments are dependent on levels of run rate management fees measured following one, four, six and eight years from completion, and are capped at \$207 million in aggregate.

30. Other matters

Man Group is subject to various other claims, assessments, regulatory enquiries and investigations in the normal course of its business. The directors do not expect such matters to have a material adverse effect on the financial position of the Group.

31. Group investments

Details of the Group's subsidiaries and consolidated structured entities, which have been consolidated into the Group's results, and details of investments in associates are provided below. The country of operation is the same as the country of incorporation, the year end is 31 December, and effective group interest represents both the percentage held and voting rights, unless otherwise stated.

Subsidiaries

Principal operating subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective group interest %
Asset management				
Man Investments Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
AHL Partners LLP ¹	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments Inc	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Investments (CH) AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
GLG Partners LP	One Curzon Street, London, W1J 5HB	Indirect	UK	100
Numeric Investors LLC ²	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Group services company				
E D & F Man Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
Group treasury and holding company				
Man Investments Finance Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Group holding and other subsidiaries				
Man Group plc	Riverbank House, 2 Swan Lane, London, EC4R 3AD		UK	100
Man Strategic Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Direct	UK	100
Man Group Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Group UK Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
GLG Partners Limited	One Curzon Street, London, W1J 5HB	Indirect	UK	100
Laurel Heights LLP ¹	One Curzon Street, London, W1J 5HB	Indirect	UK	100
Man Investments Australia Limited	Level 21, Grosvenor Place, 225 George Street, Sydney, NSW 2000	Indirect	Australia	100
Man Australia LP	Level 21, Grosvenor Place, 225 George Street, Sydney, NSW 2000	Indirect	Australia	100
FA Sub 3 Limited	PO Box 92, Road Town, Tortola, VG 1110	Indirect	BVI	100
GLG Holdings Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Mount Granite Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Man Asset Management (Cayman) Limited (previously GLG Partners (Cayman) Limited)	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
Man Investments (Shanghai) Limited	Room 1818, Bund Centre, NO. 222 Yan An East Road, Shanghai, 200002	Indirect	China	100
Man Group Japan Limited	P.O. Box 173, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HG	Indirect	Guernsey	100
FRM Investment Management Limited	P.O. Box 173, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HG	Indirect	Guernsey	100
GLG Partners Hong Kong Limited	Suite 1301, 13th Floor, Chater House, 8 Connaught Road Central	Indirect	Hong Kong	100
Man Investments (Hong Kong) Limited	Suite 1301, 13th Floor, Chater House, 8 Connaught Road Central	Indirect	Hong Kong	100
Man Asset Management (Ireland) Limited (previously GLG Partners Asset Management Limited)	70 Sir John Rogerson's Quay, Dublin 2	Indirect	Ireland	100
RBH Holdings (Jersey) Limited	13 Castle Street, St. Helier, JE4 5UT	Indirect	Jersey	100
Man (Europe) AG	Austrasse 56, 9490, Vaduz, Liechtenstein	Indirect	Liechtenstein	100
Man Fund Management Netherlands BV	Beurs – World Trade Center, Beursplein 37, 3011 AA, Rotterdam	Indirect	Netherlands	100
E. D. & F. Man Investments B.V.	Beurs – World Trade Center, Beursplein 37, 3011 AA, Rotterdam	Indirect	Netherlands	100
Man Australia GP Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Fund Management UK Limited	One Curzon Street, London, W1J 5HB	Indirect	UK	100

Notes to the Group financial statements continued

31. Group investments continued

Group holding and other subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective group interest %
Financial Risk Management Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Mash Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Valuation Services Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
GLG Partners GP LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Investments Finance Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Seabrook Holding Inc	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Investments Holding Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Investments (USA) Corp.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Investments USA Holdings Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Washington Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
GLG Capital Management LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Litchfield Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
GLG LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man UK Strategies Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Numeric Holdings LLC ²	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Silvermine Capital Management LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
FRM Investment Management GP (USA) LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
FRM Investment Management (USA) LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Man Group Services Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Solutions Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Knox Pines Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Mount Garnet Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
FRM Investments (USA) LLC	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
GLG Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
GLG Holdings Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
GLG Partners Inc.	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
GLG Partners Services LP	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
GLG Partners Services Limited	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
Man Fund Management (Guernsey) Limited	P.O. Box 173, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HG	Indirect	Guernsey	100
Man Fund Management Limited	70 Sir John Rogerson's Quay, Dublin 2	Indirect	Ireland	100
GLG Partners UK Group Ltd	One Curzon Street, London, W1J 5HB	Indirect	UK	100
GLG Partners UK Holdings Ltd	One Curzon Street, London, W1J 5HB	Indirect	UK	100
GLG Partners UK Ltd	One Curzon Street, London, W1J 5HB	Indirect	UK	100
FRM Thames Fund General Partner 1 Limited	190 Elgin Avenue, George Town, Grand Cayman, KY1-9005	Indirect	Cayman	100
RMF Co-Investment Limited	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
Man Principal Strategies Corp	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100
Numeric Midco LLC ²	200 Bellevue Parkway, Suite 210, Wilmington, New Castle, DE 19809	Indirect	US	100

31. Group investments continued

Group holding and other subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective group interest %
Man GLG Credit Advisers AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
FRM Holdings Limited	Le Gallais Chambers, 54 Bath Street, St Helier, JE4 8YD	Indirect	Jersey	100
FA Sub 2 Limited	PO Box 92, Road Town, Tortola, VG 1110	Indirect	BVI	100
E. D. & F. Man Investments Limited	15 Esplanade, St Helier, JE1 1RB	Indirect	Jersey	100
Man Investments Middle East Limited (in liquidation)	Office 307, Level 3, Precinct Building 4, DIFC, PO Box 73221, Dubai	Indirect	UAE	100
Man Financial Australia Pty Limited (in liquidation)	Level 21, Grosvenor Place, 225 George Street, Sydney, NSW 2000	Indirect	Australia	100
Man Investments (Luxembourg) S.A. (in liquidation)	19 Rue de Bitbourg, L-1273	Indirect	Luxembourg	100
Empyrean Re (Canada) Inc. (in liquidation)	70 York Street, Suite 1202, Toronto, ON M5J 1S9	Indirect	Canada	100
Man Investments (Singapore) Pte. Limited (in liquidation)	8 Cross Street, #11-00, PWC Building, Singapore 048424	Indirect	Singapore	100
Man Bluesky Limited (in liquidation)	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100

Notes:

1 The financial year end is 31 March.

2 Numeric Management hold an 18.3% equity interest in the business as part of the acquisition contingent consideration, which is deemed to be a financial liability (Note 26).

Consolidated structured entities

The following investment funds, which the Group is deemed to control, have been consolidated (Note 14):

Strategy	Registered address	Country of incorporation/ principal place of operation	% of net asset value held
Man GLG Innovation Equity Alternative ¹	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	100
Man GLG Global Emerging Markets Bond ¹	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	81
Man GLG Global Fundamental Equity ¹	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	100
Man GLG Pan-European Equity Growth ¹	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	95
Man GLG Global European Alpha Alternative ¹	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	33
Man Numeric International Small Cap ²	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4, Cayman Islands	Cayman	39
Man GLG Unconstrained Emerging Equity ²	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	30
Man GLG International Equity ²	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4, Cayman Islands	Cayman	45
Man AHL Oxon ²	89 Nexus Way, Camana Bay, PO Box 31106, Grand Cayman KY1-1205	Cayman	100
Man GLG Select Opportunities fund ²	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4, Cayman Islands	Cayman	58
Man Systematic Volatility Alternative ²	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	84

Notes:

1 Classified as non-current assets and liabilities held for sale (Note 14.2).

2 Consolidated on a line-by-line basis (Note 14.2).

Investments in associates

	Registered address	Country of incorporation/ principal place of operation	% of net asset value held
Nephila Capital Limited	Victoria Place, 3rd Floor, West, 31 Victoria Street, Hamilton, HM10	Bermuda	19 ¹
OFI MGA	20-22 rue Vernier, 75017, Paris	France	20

Note:

1 19% represents Man's ownership of class B common shares. Man's participation in the profits of Nephila is governed by the share class rights and therefore does not relate proportionately to the ownership interest held. Man considers that this equity interest, Man's ability to veto Nephila's annual business plan, and the presence of a Man member on the Nephila board of directors provides Man with the power to participate in the financial and operating policy decisions, and equates to significant influence.

Parent Company financial statements

Balance sheet

\$m	Note	At 31 December 2016	At 31 December 2015
Fixed assets			
Investment in subsidiaries	2	2,439	2,439
Current assets			
Debtors	3	161	198
Creditors – amounts falling due within one year			
Other creditors and accruals	4	(84)	(5)
Net current liabilities		77	193
Creditors – amounts falling after more than one year			
Borrowings	5	(149)	(149)
Total assets less current liabilities		2,367	2,483
Capital and reserves			
Called up share capital		58	59
Share premium account		19	14
Capital reserve		5	4
Merger reserve		491	491
Profit and loss account		1,794	1,915
Total shareholders' funds		2,367	2,483

The profit after tax for the year was \$138 million (2015: \$726 million). During the year the Company received dividend income of \$154 million from subsidiaries (2015: \$750 million). In accordance with Section 408 of the Act, a separate profit and loss account has not been presented for the Company. Details of audit fees are included on page 60.

The financial statements of the Company (registered number 08172396) were approved by the Board of directors and authorised for issue on 1 March 2017, and were signed on its behalf by:

Luke Ellis

Chief Executive Officer

Mark Jones

Chief Financial Officer

Statement of changes in equity

\$m	Called up share capital	Share Premium account	Capital reserve	Merger reserve	Profit and loss account	Total
At 1 January 2015	61	7	2	491	1,558	2,119
Issue of ordinary share capital	–	7	–	–	–	7
Repurchase of shares	(2)	–	2	–	(176)	(176)
Profit for the financial year/total comprehensive income	–	–	–	–	726	726
Dividends	–	–	–	–	(193)	(193)
At 31 December 2015	59	14	4	491	1,915	2,483
Issue of ordinary share capital	–	5	–	–	–	5
Repurchase of shares	(1)	–	1	–	(101)	(101)
Profit for the financial year/total comprehensive income	–	–	–	–	138	138
Dividends	–	–	–	–	(158)	(158)
At 31 December 2016	58	19	5	491	1,794	2,367

The allotted and fully paid share capital of the Company is detailed in Note 21 of the Group financial statements.

Notes to the Parent Company financial statements

1. Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 as issued by the Financial Reporting Council, and accordingly chooses to apply the Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council to these financial statements. In doing so, the Company applies the requirements of IFRS 1.6-33 and related appendices.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 1 to the Group financial statements, except as noted below.

The Company's financial statements are prepared on a going concern basis. For further details, refer to Note 1 to the Group financial statements.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates, are recognised in the profit and loss account.

Dividends

Dividend distributions to the Company's shareholders are recognised directly in equity in the period in which the dividend is paid or approved by the Company's shareholders, if required. Dividends received from subsidiary undertakings are recognised as income in the period in which they are received. Refer to Note 10 to the Group financial statements for details of dividends paid during the year.

2. Investments in subsidiaries

\$m	2016	2015
Shares in Group undertakings At 1 January and 31 December	2,439	2,439

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less accumulated impairment. A complete list of the Company's direct and indirect subsidiaries are provided in Note 31 to the Group financial statements.

3. Debtors – amounts falling due within one year

\$m	31 December 2016	31 December 2015
Current tax asset	4	6
Amounts owed by Group undertakings	157	192
	161	198

4. Creditors – amounts falling due within one year

\$m	31 December 2016	31 December 2015
Amounts owed to Group undertakings	16	2
Other creditors	68	3
	84	5

Other creditors includes \$65 million relating to the share repurchase which was partially completed during the year (see Note 21 to the Group financial statements).

Notes to the Parent Company financial statements continued

5. Creditors – amounts falling due after more than one year

Borrowings relate to the 2024 fixed rate reset callable guaranteed subordinated notes issued by the Company, as detailed in Note 13 to the Group financial statements.

6. Directors' remuneration

Details of the individual directors' emoluments and interests are disclosed in the Directors' remuneration report on pages 64 to 89. The directors of the Company were paid by another Group company in the year.

7. Statutory and other information

Shares in the Company are awarded to directors and employees through the Group's share schemes. Details relating to these share grants are provided in the Directors' remuneration report on pages 64 to 89.

Five year record

\$m	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	12 months to 31 December 2012 (Restated) ³
Income statement					
Gross management and other fees	746	833	810	967	1,290
Performance fees	81	302	340	193	90
Profit before adjusting items	205	400	481	297	275
Adjusting items ¹	(477)	(216)	(97)	(241)	(1,023)
Pre-tax (loss)/profit	(272)	184	384	56	(748)
Tax credit/(expense)	6	(13)	(19)	16	(39)
(Loss)/profit for the year	(266)	171	365	72	(787)
Adjusted net management fee profit before tax	178	194	198	175	220
Adjusted net performance fee profit before tax	27	206	283	122	55
Earnings per share (diluted)	(15.8)	10.0	20.5	2.9	(45.8)
Balance sheet (\$m)					
Net cash	277	458	589	992	1,141
Net assets	1,674	2,215	2,434	2,407	2,910
Other statistics					
Post-tax return on equity (%)	(12.5)	7.5	15.8	2.1	(23.2)
Cash flow from operating activities (before working capital movements)	245	402	463	222	312
Ordinary dividends per share (cents)	9.0	10.2	10.1	7.9	22.0
Funds under management (\$bn)	80.9	78.7	72.9	54.1	57.0
Average headcount ²	1,180	1,106	1,001	1,163	1,458
Pound sterling/USD exchange rates					
Average	0.7384	0.6544	0.6072	0.6388	0.6307
Year end	0.8093	0.6786	0.6419	0.6040	0.6158

Notes:

1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. See Note 2 to the Group financial statements.

2 The average headcount includes partners.

3 Restated for the impact of the adoption of IAS 19 (Revised) in 2013.

Shareholder information

In this section we have provided some key information to assist you in managing your shareholding in Man. If you have a question that is not answered below, you can contact us by email: shareholder@man.com

Useful websites

References are made throughout this section to two websites which you will find useful for managing your shareholding in Man and for finding out more about the Company:

Man (www.man.com)

The Man corporate website contains a wealth of information about the Company including details of the industry in which we operate, our strategy and business performance, recent news from Man and corporate responsibility initiatives. The Investor Relations section is a key tool for shareholders with information on share price and financial results, reports and presentations. This section of the website also contains information on dividends and shareholder meetings as well as useful Frequently Asked Questions.

Equiniti Shareview (www.shareview.co.uk/shareholders)

Man's register of shareholders is maintained by Equiniti, the Company's Registrars. Many aspects of managing your shares such as checking your current shareholding, managing dividend payments, and updating your contact details can be carried out by registering on the Equiniti Shareview website. To do this you will need your Shareholder Reference which can be found on your share certificate or dividend confirmation.

Dividends

Final dividend for the year ended 31 December 2016

3.62 pence per share

The directors have recommended a final dividend of 3.62 pence per share in respect of the year ended 31 December 2016. Payment of this dividend is subject to approval at the 2017 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	20 April 2017
Record date	21 April 2017
DRIP election date	21 April 2017
AGM (to approve final dividend)	5 May 2017
Payment date	12 May 2017
CREST accounts credited with DRIP shares	17 May 2017
DRIP share certificates received	18 May 2017

Dividend policy

Man's dividend policy is to pay out at least 100% of adjusted management fee earnings per share in each financial year by way of ordinary dividend. In addition, the Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time by way of higher dividend payments and/or share repurchases. As announced at the time of our Trading Statement for the quarter ended 30 September 2016, the Company is undertaking a share repurchase programme pursuant to which up to a maximum of \$100 million of surplus capital is being returned to shareholders. Details of the number of shares repurchased during 2016 can be found in Note 21 of the Group financial statements.

Dividend payment methods

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

- 1. Direct payment to your bank:** We recommend that you apply for cash dividends to be paid directly into your UK bank or building society account to speed up the payment process and to avoid the risk of cheques becoming lost or delayed in the post. The associated dividend confirmation will be sent direct to your registered address. To switch to this method of payment, simply download a dividend mandate form from the Dividends section of our corporate website. Alternatively, dividend mandate forms are available from the Equiniti Shareview website. If you have any queries please contact Equiniti on 0371 384 2112¹ (+44 121 415 7592 if calling from outside the UK), who will be able to assist. Please remember to have your Shareholder Reference available when you contact Equiniti.
- 2. Overseas payment service²:** If you live overseas, Equiniti offers an overseas payment service which is available in certain countries. This may make it possible to receive dividends directly into your bank account in your local currency. Further information can be found on the Equiniti Shareview website or via the Equiniti helpline 0371 384 2112¹ (+44 121 415 7592 if calling from outside the UK).
- 3. Dividend Reinvestment Plan (DRIP):** The Company is pleased to offer a DRIP which gives shareholders the opportunity to build their shareholding in the Company in a convenient and cost-effective way. Instead of receiving your dividend in cash, you receive as many whole shares as can be bought with your dividend, taking into account related purchase costs; any residual cash is then carried forward and added to your next dividend. If you wish to join the DRIP, you can download copies of the DRIP terms and conditions and the DRIP mandate form from the Dividends section of the Man website or from the Equiniti Shareview website. Simply complete the DRIP mandate form and return it to Equiniti. Should you have any questions regarding the DRIP, or to request a paper mandate form, please contact Equiniti on 0371 384 2268¹. Please note that if you wish to join the DRIP in time for the payment of the forthcoming final dividend for the year ended 31 December 2016, Equiniti must have received your instruction by 5.00pm on 21 April 2017. Instructions received after this date will be applied to the next dividend payment.

Notes:

- ¹ Lines are open from 8.30am to 5.30pm, each business day.
- ² Please note that a payment charge will be deducted from each individual payment before conversion to your local currency. Details of fees can be found on the Equiniti Shareview website.

Dividends paid in the 2016/17 tax year	Dividend number	Payment date	Amount per share (p)	Ex-dividend date	Record date	DRIP share price (p)	DRIP purchase date
Interim dividend for the year ended 31 Dec 2016	O/19	31/08/2016	3.43	11/08/16	12/08/16	109.5945	31/08/16
Final dividend for the year ended 31 Dec 2015	O/18	13/05/2016	3.40	21/04/16	22/04/16	130.3635	18/05/16

Dividend history

To help shareholders with their tax affairs, details of Sterling dividends paid in the 2016/17 tax year can be found above. Please note that the dividend amounts are declared in US Dollars but paid in Sterling. For details of historical payments, please refer to the Dividends section of the website which can be found under Investor Relations.

Changes to tax on dividend income

Since 6 April 2016, the dividend tax credit has been replaced with a tax-free dividend allowance of £5,000 per annum. As such, the tax voucher that previously accompanied your dividend has been replaced with a dividend confirmation. For further information, and to see how you might be affected by the changes, please refer to the HMRC website.

Shareholder communications

Annual and Interim Reports

Man publishes an Annual and Interim Report every year. The Annual Report is sent to shareholders in March through the post unless the shareholder has chosen to receive shareholder communications electronically (see 'E-communications' below). The Interim Report is published on the website in early August and printed copies are available on request from the Company Secretary.

E-communications

You can help Man to reduce its printing and postage costs as well as its carbon footprint by signing up to receive communications electronically rather than receiving printed documents such as Annual Reports and Notices of AGMs in the post. To sign up for e-communications, simply register on the Equiniti Shareview website. You will need your Shareholder Reference, which can be found on your share certificate, dividend confirmation or proxy card, in order to register. Once registered, you will need to change your mailing preference to e-communications and provide your email address. You will then receive an email each time a shareholder communication or document becomes available on the Man website.

Managing your shareholding

Online, by post, or by phone

Many aspects of your shareholding can be managed by registering on the Equiniti Shareview website. For enquiries about your shareholding you can also contact Equiniti in writing at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, or by telephone on 0371 384 2112¹, quoting Reference No 874. Callers from outside the UK should telephone +44 121 415 7592. Please quote your Shareholder Reference when contacting Equiniti.

Share dealing service

Equiniti provides a share dealing facility through which you can buy or sell Man Group plc shares in the UK. The service is provided by Equiniti Financial Services Limited and can be accessed via the dealing section of the Equiniti Shareview website (www.shareview.co.uk/dealing). To use Equiniti's telephone dealing service, please call 03456 037 037 between 8.00am and 4.30pm Monday to Friday. You can also buy and sell shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

Don't fall victim to share fraud!

Even seasoned investors have been caught out by sophisticated share or investment scams where smooth-talking fraudsters cold call from 'boiler rooms' to offer them worthless, overpriced or even non-existent shares, or to buy shares they currently hold at a price higher than the market value. All shareholders are advised to be extremely wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. It is estimated that £200 million is lost in this way in the UK each year, with an average loss of £20,000 per investor.

The Financial Conduct Authority (FCA) provides helpful information about such scams on its website, including practical tips on how to protect your savings and how to report a suspected investment scam. Man encourages its shareholders to read the information on the site which can be accessed at www.fca.org.uk/consumers/scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

How your details are protected from cybercrime

Man takes the protection of its shareholders' personal data from the ever-increasing threat of cybercrime very seriously. Shareholder details are maintained by Equiniti, our Registrars, who safeguard this information to the highest standards. Equiniti's security measures include multiple levels of firewall, no wireless access to the corporate network, and regular external vulnerability scans and system penetration tests.

Company contact details

Registered office

Man Group plc
Riverbank House
2 Swan Lane
London
EC4R 3AD

Telephone: 020 7144 1000

Web: www.man.com

Registered in England and Wales with registered number: 08172396

Investor Relations

investor@man.com

Head of Investor Relations – Andrea Waters

Company Secretariat

shareholder@man.com

Company Secretary – Rachel Rowson

Company advisers

Independent auditor

Deloitte LLP

Corporate brokers

Bank of America Merrill Lynch

Credit Suisse

Goldman Sachs

Corporate communications

Finsbury

Registrars

Equiniti

Alternative performance measures

We assess the performance of the group using a variety of alternative performance measures. We discuss the Group's results on an 'adjusted' basis as well as a statutory basis. The rationale for using adjusted measures is explained below.

We also explain financial performance using measures that are not defined under IFRS and are therefore termed 'non-GAAP' measures. These non-GAAP measures are explained below. The alternative performance measures we use may not be directly comparable with similarly titled measures by other companies.

Funds under management (FUM) (non-GAAP measure)

FUM is the assets that the Group manages for investors in fund entities. FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. FUM is measured based on management fee earning capacity. Average FUM multiplied by our net management fee margin (see below) equates to our management fee earning capacity. Funds under management are shown by product groupings that have similar margin and investor characteristics (as shown on page 31). Management focus on the movements in FUM split between the following categories:

- **Net inflows/outflows** (non-GAAP measure)
Net inflows/outflows are a measure of our ability to attract and retain investor capital. Net flows are calculated as sales less redemptions. Further details are included on page 17.
- **Investment movement** (non-GAAP measure)
Investment movement is a measure of our ability to manage the performance of our funds for our investors. It is calculated as the fund performance of each strategy multiplied by the FUM in that strategy. Further details are included on page 16.
- **FX and other movements** (non-GAAP measure)
Some of the Group's FUM is denominated in currencies other than USD. FX movements represent the impact of translating non-USD denominated FUM into USD. Other movements principally relate to maturities and leverage movements.

Net management fee margins (non-GAAP measure)

Margins are an indication of the revenue margins negotiated with our institutional and retail investors net of any distribution costs paid to intermediaries. The net management fee margin is calculated as net management fee revenue (gross management fee revenue and income from associates less distribution costs) divided by average FUM. Details of the current year net management fee margins are included on page 32.

Adjusted profit before tax and adjusted earnings per share

Adjusted profit before tax reflects the recurring revenues and costs that drive the Group's underlying profitability. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items, impairment of assets, restructuring costs and certain non-recurring gains or losses. This therefore reflects the recurring revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed.

The reconciliation of statutory profit before tax to adjusted profit before tax is shown on page 106.

The reconciliation of diluted statutory EPS to the adjusted EPS measures is included on page 111.

Adjusted net management fee profit before tax and adjusted net management fee EPS

Adjusted profit before tax is split between adjusted net management fee profit before tax and adjusted net performance fee profit before tax to separate out the variable performance fee related earnings of the business from the underlying management fee earnings of the business. Adjusted net management fee profit before tax is calculated as adjusted profit before tax excluding net performance fee profit before tax. The detailed calculation of adjusted net management fee profit before tax is shown on page 34.

Man's dividend policy is disclosed on page 35. Dividends paid to shareholder (or adjusted net management fee EPS) are determined based on the adjusted net management fee profit before tax.

Adjusted net management fee EPS is calculated using post-tax profits excluding net performance fees and adjusting items, divided by the weighted average diluted number of shares.

The reconciliation of diluted statutory EPS to adjusted net management fee EPS is included on page 111.

Adjusted net performance fee profit before tax

The detailed calculation of adjusted net performance fee profit before tax is shown on page 34.

Adjusted EBITDA

As the Group has a number of non-cash items in the income statement, it is important to focus on cash earnings to measure the true earnings generation of the Group. Adjusted EBITDA represents our profitability excluding non-cash items. The table on page 34 gives a reconciliation of adjusted profit before tax to adjusted EBITDA. The main differences are net finance expense, depreciation and amortisation, and deferred compensation charges relating to deferred awards.

Adjusted management fee EBITDA margin

The adjusted management fee EBITDA margin is a measure of the underlying profitability of the Group. It is calculated as a percentage of net management fee revenues (gross management fee revenue and income from associates less cash distribution costs). Further details on this measure are included on page 17.

Compensation ratio

The compensation ratio measures our compensation costs relative to our revenues. The Group's compensation ratio is generally between 40% to 50% of net revenues, depending on the mix and level of revenue. It is calculated as total compensation divided by net revenues (gross management fee revenue and income from associates less cash distribution costs). Details of the current year compensation ratio are included on page 33.

Notes

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