



28 May 2020

Dear Shareholders,

**Notice of Annual General Meeting of LMS Capital plc (the Company) and Annual Report and Accounts for the Year Ended 31st December 2019**

Please accept this letter as notification that the Company's Annual Report and Accounts for the year ended 31st December 2019 and the notice of Annual General Meeting (the AGM) (the Notice) have now been published on the Company's website at <http://www.lmscapital.com/> and are enclosed for shareholders who elected for a hard copy of the Report. We extend our thanks to our printers and fulfilment house for achieving this under challenging business circumstances.

**AGM Resolutions**

This letter does not contain the full details of the resolutions to be tabled at the AGM. These are contained in the Notice, which is attached, and should be read before you complete your vote. The resolutions and explanatory notes this year are more lengthy than usual because we are required to include the new directors' remuneration policy for consideration. The policy was last considered at the AGM in 2017 and is required to be considered every three years and in any case required updating following the Company's change in board composition following the internalisation of management at the end of 2019.

The directors consider that the proposed resolutions contained in the Notice of the AGM are in the best interests of the Company and shareholders as a whole and unanimously recommend that you vote in favour of them, as they intend to do in respect of their own shareholdings.

**AGM attendance**

The AGM will be held at 3:00pm on Wednesday 24 June 2020 at 3 Bromley Place, London W1T 6DB.

The AGM typically gives shareholders an opportunity to meet with the directors, for them to provide an update on the Company's business and to answer shareholder questions. The board has been closely following the developing situation with Coronavirus (Covid-19) including the guidance from the UK Government and Public Health England on public gatherings. Given the possible health risks arising from attending the AGM, the board has concluded that it is appropriate for shareholders not to attend in person this year and, instead, to submit proxy votes. Pending further developments:

1. The Company recommends shareholders to vote electronically at [www.signalshares.com](http://www.signalshares.com) as your vote will automatically be counted. In order to vote electronically shareholders will require their investor code which, if you don't already have to hand, can be obtained from the registrar. Given the current situation, if you prefer to vote using the paper proxy you are encouraged to do so well in advance of the legal deadline to avoid the risk of the proxy paper not being received and not having your vote counted.

LMS Capital plc  
Registered office: Two London Bridge, London, SE1 9RA  
[www.lmscapital.com](http://www.lmscapital.com)  
Registered in England number 5746555

2. The Company encourages you to submit any question that you would like to be answered at the AGM by sending it, together with your name as shown on the Company's register of members, to the following email address: **cgarrod@lmscapital.com** so that it is received by no later than 18 June 2020. Please see explanatory note on page 7 for guidance on members' rights to ask questions and when the Company will cause them to be answered.
3. A conference call link will be provided to enable shareholders to follow proceedings of the AGM. All shareholders are encouraged to use these facilities should they wish to follow the progress of the AGM. Any shareholders who wish to listen to the AGM by such means, should contact the Company Secretary prior to the day of the meeting at [ukcosec@iqeq.com](mailto:ukcosec@iqeq.com) in order to request conference dial-in details. Please note that shareholders will not be able to use this facility to actively participate in the AGM by voting on the resolutions or asking questions. It is therefore recommended that shareholders vote on the resolutions using Signal Shares and submit any questions prior to the AGM.
4. The Company will continue to closely monitor the Coronavirus situation in the lead up to the AGM and make further updates about the AGM on the Company's website at <http://www.lmscapital.com/>. Please ensure that you regularly check this page for updates.

If you need help with voting online, please contact our Registrar, Link Asset Services, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. During this challenging time, extra pressure is being put on telephone services and it may just take a little longer to get through than normal. Alternatively, you can email Link at **shareholderenquiries@linkgroup.co.uk**.

There will be no presentations from the directors and the AGM will end immediately following the business of the AGM. The Company is taking these precautionary measures to safeguard its shareholders' and employees' health and make the AGM as safe and as efficient as possible.

May I take this opportunity to thank you for your continued support as a shareholder of LMS Capital plc and to wish you and your families well during these difficult times.

Yours faithfully,

**Hon. Robert Rayne**  
*Chairman*

# Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of LMS Capital plc (the “Company”) will be held at 3.00 pm on Wednesday 24 June 2020 at 3 Bromley Place London W1T 6DB to consider and, if thought fit, pass the resolutions as set out below.

Resolutions 1 to 12 will be proposed as ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour. Resolutions 13 to 15 will be proposed as special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour. Further information on all resolutions is given in the Explanatory Notes on pages 7 to 9.

## ORDINARY RESOLUTIONS

1. To receive the Company’s audited annual report and accounts for the year ended 31 December 2019 (the “Annual Report”).
2. To approve the directors’ remuneration report, other than the part containing the directors’ remuneration policy, set out on pages 31 to 42 of the Annual Report.
3. To approve a new directors’ remuneration policy, set out in the directors’ remuneration report on pages 35 to 42 of the Annual Report.
4. That the rules of the LMS Capital Value Creation Plan (the “VCP”) be approved, as referred to in this notice of Annual General Meeting and summarised in the Appendix below and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, and that the directors be authorised to make such modifications to the VCP as they may consider appropriate to take account of the requirements of best practice and for the implementation of the VCP, and to adopt the VCP as so modified and to do all such other acts and things as they may consider appropriate to implement the VCP
5. To re-elect Robert Rayne as a director.
6. To elect Nick Friedlos as a director.
7. To elect Peter Harvey as a director.
8. To elect Graham Stedman as a director.
9. To elect James Wilson as a director.
10. To re-appoint BDO LLP as auditor of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company.
11. To authorise the directors to determine the auditor’s remuneration.
12. That, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) and in substitution for all existing authorities under that section, to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company (“Rights”) up to an aggregate nominal amount of £2,690,915 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or on 30 June 2021, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

## SPECIAL RESOLUTIONS

13. That, subject to the passing of resolution 12 above, the directors be empowered under section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by resolution 12 and/or to sell equity securities held by the Company as treasury shares for cash pursuant to section 727 of the Act, in each case as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
- a. any such allotment and/or sale of equity securities in connection with an offer by way of a rights issue or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, made to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - b. any such allotment and/or sale, otherwise than pursuant to paragraph (a) above, of equity securities up to, in the case of ordinary shares, a nominal amount or, in the case of any other equity securities, giving the right to subscribe for or convert into ordinary shares having a nominal amount, not exceeding in aggregate £403,637 and this power shall expire at such time as the general authority conferred on the directors by resolution 12 expires, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares under such offer or agreement as if this power had not expired.
14. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company, provided that:
- a. the maximum number of shares which may be purchased in aggregate is 8,072,745;
  - b. the minimum price (exclusive of expenses) that may be paid for a share is 10 pence;
  - c. the Company pays a price per share that is not more (excluding expenses) than the higher of (i) 5% above the average of the middle market quotations for the ordinary shares as derived from the Daily Official List for the five business days immediately before the day on which it purchases that share; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue; and
  - d. the authority conferred by this resolution shall, unless previously renewed, expire at the end of the next Annual General Meeting of the Company, or on 30 June 2021, whichever is earlier, save that the Company may, before such expiry, enter into a contract for the purchase of shares which would or might be completed wholly or partly after such expiry and the Company may purchase shares under any such contract as if this authority had not expired.
15. That a general meeting of the Company (other than an annual general meeting) may be called on not less than 14 clear days' notice.

By Order of the Board

**IQ-EQ Corporate Services (UK) Limited**

*Company Secretary*

28 May 2020

*Registered Office*

Two London Bridge  
London SE1 9RA

*Registered in England and Wales No. 05746555*

## **Notes:**

### **Right to attend and vote**

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at close of business on 22 June 2020 or, if the meeting is adjourned, at close of business two days (excluding non-working days) before the day of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after close of business on 22 June 2020 or, if the meeting is adjourned, after close of business two days (excluding non-working days) before the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

### **Voting rights**

At 26 May 2020, (being the latest practicable date prior to the publication of this notice) the issued share capital of the Company consisted of 80,727,450 Ordinary Shares of 10p each in the capital of the Company. Each share carries one vote. The Company held no shares in treasury, therefore the total voting rights in the Company as at 26 May 2020 were 80,727,450.

### **Proxies**

A member of the Company is entitled to appoint a proxy to attend, speak and vote instead of them. The proxy need not be a member of the Company. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares.

To be effective, the instrument appointing a proxy and any authority under which it is executed (or a copy of such authority notarially certified or certified in some other way approved by the board) must be deposited with the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours (excluding non-working days) before the time for holding the meeting or, in the event of an adjournment, not less than 48 hours (excluding non-working days) before the time of the adjournment. A form of proxy and a reply-paid envelope are enclosed. A member can also appoint a proxy online using the service provided on the Company's registrars' website, [www.signalshares.com](http://www.signalshares.com), where full instructions are given. In order to register their votes online, members will require their investor code, which can be found on their personalised proxy form.

If a shareholder is a CREST member, they can use the electronic proxy service provided by Euroclear (see below). Forms of proxy may not be submitted via the LMS Capital website or via any email address given on the LMS Capital website. The valid appointment of a proxy will not preclude members from attending and voting in person at the meeting or any adjournment of the meeting.

### **CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment(s) of the meeting) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Asset Services (CREST participant ID RA10), no later than 48 hours (excluding non-working days) before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### **Nominated persons**

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may have a right, under an agreement between them and the member by whom they were nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by members of the Company.

### **Corporate representatives**

Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member on its behalf, provided that not more than one corporate representative may exercise powers over the same share.

### **Right to ask questions**

Under section 319A of the Act, shareholders (or their proxies) have the right to ask questions in relation to the business being dealt with at the meeting. However, the Company is not obliged to answer a question raised at the meeting if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

The Company encourages you to submit any question that you would like to be answered at the meeting by sending it, together with your name as shown on the Company's register of members, to the following email address: [cgarrod@lmscapital.com](mailto:cgarrod@lmscapital.com) so that it is received by no later than 18 June 2020. Please see explanatory note on page 7 for guidance on members' rights to ask questions and when the Company will cause them to be answered.

### **Website publication of audit concerns**

Under section 527 of the Act shareholders who meet the threshold requirements that are set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with the auditor of the Company ceasing to hold office since the previous meeting at which the annual report and accounts were laid in accordance with section 437 of the Act.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with either section 527 or 528. Where the Company is required to place a statement on a website under section 527, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on a website under section 527.

### **Nominated persons**

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.

### **Documents available for inspection**

Copies of the service agreement of the executive director and the terms of appointment of the non-executive directors will be available for inspection at the registered office of the Company, Two London Bridge, London, SE1 9RA during normal business hours from the date of this notice until the date of the meeting and also at the meeting for 15 minutes before the meeting until its conclusion.

### **Company's website**

A copy of this notice of Annual General Meeting and any other information required by section 311A of the Act can be found in the investor relations section of the Company's website, [www.lmscapital.com](http://www.lmscapital.com). The website also contains a copy of the annual report.

### **Enquiries**

Members who wish to communicate with the Company by electronic means in connection with the matters set out in this notice may do so by contacting the Company's Registrars, Link Asset Services, at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) on or before 22 June 2020. Please note that a communication containing a computer virus may not be accepted but every effort would be made to inform the member of the rejected communication.



## EXPLANATION OF BUSINESS

### **Resolution 1: To receive the annual report and accounts for the year ended 31 December 2019**

Company law requires the directors to present the annual report and accounts of the Company to shareholders in respect of each financial year.

### **Resolution 2: To approve the remuneration report**

The remuneration report (excluding the new directors' remuneration policy) is set out on pages 31 to 42 of the annual report for the year ended 31 December 2019. It describes the group's policy on remuneration and gives details of Directors' remuneration for the year ended 31 December 2019. The vote is advisory and does not affect the actual remuneration paid to any individual director.

### **Resolution 3: To approve the new Directors' Remuneration Policy**

Resolution 3 seeks approval of the Company's future policy on Directors' remuneration.

The board is proposing a new directors' remuneration policy (the "Policy"), which incorporates the new LMS Capital Value Creation Plan (the "VCP"), that reflects the changes to the management of the business and the creation of a new board structure. As a result of this, the new Policy is considerably more detailed than it has been in recent years and has been drafted within normal market parameters both in terms of quantum and structure.

The Remuneration Committee designed the new Policy after conducting a remuneration review which took account of the Company's new strategy, corporate governance best practice, investor body guidance and market practice. The Policy is set out in full within the Directors' remuneration report on pages 35 to 42 of the 2019 Annual Report and Accounts and the key changes from the existing Policy are set out below:

- Return to a conventional Policy format setting out the structure for each element of the executive directors' remuneration: salary, pension, benefits, short term incentive and long term incentive.
- The creation of a short term incentive structured as an annual bonus, featuring a maximum award of 100% of base salary. The ability to receive the maximum bonus may be split across two or more performance metrics. Other than for binary or milestone performance metrics, the intention will be that, in line with investor guidelines, 25% of the maximum is payable for threshold performance and 50% at target. There is no deferral requirement.
- The introduction of the VCP which has been specifically designed to take account of both the Company being an international investment company and the market place from which executives and senior management will need to be hired. The structure of the VCP involves the award of VCP units which will vest at the end of a fixed five year performance period. The value received by executive directors will depend exclusively on the level of return generated to shareholders during this period.
- In addition, if specific hurdles are not met then no payment will be due under the VCP. These hurdles are (i) the return to investors must be over 8% per annum and (ii) the closing price of a share on the vesting date, when added to the aggregated value of all dividends that are declared on that share over the performance period, must equal or exceed 52.8p.
- The targets required in respect of shareholder returns are detailed in the Policy on pages 37 – 39 of the Annual Report and are also set out in the Appendix below. The Remuneration Committee will have overriding discretion to change formulaic outcomes for the VCP if it believes that they are out of line with the underlying performance of the Company.
- Malus and clawback provisions will apply to all incentive payments.
- Executive directors will receive a pension contribution in line with that to be offered to the majority of the workforce. The pension contribution of 10% of salary is within the guidelines provided by investors regarding pension levels for executives.

The board is confident that the new Policy will be fit for purpose for the next three years and is fundamental to helping the Company achieve continued strong business performance and is in the best interests of shareholders.

If approved by shareholders, the new Policy will take effect immediately upon conclusion of the Annual General Meeting and will be put to shareholders for approval again no earlier than the 2023 Annual General Meeting.

**Resolution 4: To approve the LMS Capital Value Creation Plan.**

Resolution 4 seeks approval of the LMS Capital Value Creation Plan.

The VCP is the long-term incentive plan under which it is intended that awards will be made to directors and selected members of senior management as they are recruited and potentially also to consultants engaged by the Company. The terms of the VCP are considered to be in line with the market norm for these types of plan in the private equity fund management arena and a summary of the principal terms is set out in the Appendix to this Notice.

The level of awards under the plan will be set by the Remuneration Committee and will take account of the needs to both incentivise current directors and employees, as well as to attract and retain new key individuals. The Remuneration Committee believes that the plan's focus on shareholder return will help closely to align management with the shareholders, as well as making sure management are focused on the Company's long term business strategy. The VCP includes a five year performance period, which means that no distributions will be received by participants until after the end of this period. This again aligns executive remuneration with shareholder value. Other features of the VCP include:

- The VCP includes "on/off" switches, such that no value will flow to the awards if minimum TSR performance criteria are not met.
- Malus and clawback provisions will apply to all VCP awards.
- The Remuneration Committee will have an overriding discretion to change formulaic outcomes if they are out of line with Company performance.

Strict cessation of employment conditions will apply to any VCP award.

**Resolutions 5 to 9: To re-elect directors**

In line with the recommendations set out in the UK Corporate Governance Code, all directors will be standing down and offering themselves for election or re-election by shareholders at this year's Annual General Meeting. The Nomination Committee has confirmed that all directors continue to perform effectively and demonstrate commitment to their role. Directors' biographical details are given on pages 19 and 20 of the annual report.

**Resolutions 10 and 11: To reappoint the auditor and authorise the board to determine their remuneration**

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the members, to hold office until the conclusion of the next such meeting. Resolution 9 is for members to reappoint BDO LLP as auditors of the Company and resolution 10 proposes that shareholders authorise the board to determine the remuneration of the auditors. In practice, the audit committee will consider the audit fees and recommend them to the Board.

**Resolution 12: Directors' authority to allot shares**

At the 2019 Annual General Meeting, the directors were given authority to allot shares in the Company and Resolution 12 seeks to renew that authority until the conclusion of the next Annual General Meeting or 30 June 2021, whichever is earlier. The directors intend to seek to renew such power at successive Annual General Meetings in accordance with best practice.

The resolution would give the directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £2,690,915. This amount represents one-third of the issued ordinary share capital of the Company as at 26 May 2020, the latest practicable date prior to the publication of this document. The directors have no present intention to allot new shares, except in connection with the VCP (if approved).

**Resolution 13: Disapplication of statutory pre-emption rights**

If the directors wish to exercise the authority under Resolution 12 to offer shares in the Company, or to sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings, unless shareholders have given a specific authority for the waiver of the statutory pre-emption rights. In certain circumstances it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings.



The purpose of Resolution 13 is to authorise the directors to allot ordinary shares in the Company, or sell treasury shares, for cash (i) in connection with a rights issue or other pro-rata offer to existing shareholders; and, otherwise, (ii) up to a nominal value of £403,637, equivalent to 5 per cent of the total issued ordinary share capital of the Company as at 26 May 2020 without the shares first being offered to existing shareholders in proportion to their holdings.

If given, the authority will expire at the conclusion of the next Annual General Meeting or 30 June 2021, whichever is earlier. The directors intend to seek to renew such power at successive Annual General Meetings in accordance with current best practice.

The directors have no current plans to allot shares, except in connection with the VCP (if approved).

#### **Resolution 14: Authority to buy back shares**

Under company law, the Company requires authorisation from shareholders if it wishes to purchase its own shares. The resolution specifies the maximum number of shares that may be purchased (approximately 10 per cent of the Company's issued share capital as at 26 May 2020) and the highest and lowest prices at which they may be bought. If given, the authority will expire at the conclusion of the next Annual General Meeting or 30 June 2021 whichever is earlier.

The directors have no present intention of exercising this authority but will keep under review the Company's potential to buy back its shares, taking into account other investment and funding opportunities. The authority will only be used if in the opinion of the directors this would be in the best interests of shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

If the Company buys back its own shares it may cancel them immediately or hold them in treasury. Treasury shares may be sold for cash or cancelled. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares. The directors believe that it is desirable for the Company to have this choice as it will give flexibility in the management of its capital base. The Company may hold a maximum of up to 10 per cent of its issued share capital in treasury in accordance with guidelines issued by the Investment Association.

As at 26 May 2020, the Company held no ordinary shares in the capital of the Company in treasury.

#### **Resolution 15: Approval for calling of general meetings (other than AGMs) on 14 days' clear notice**

Under company law, the Company is required to give 21 clear days' notice for a general meeting of the Company unless shareholders approve a shorter notice period, which cannot be less than 14 clear days (annual general meetings must continue to be held on at least 21 clear days' notice).

Resolution 15 proposes a special resolution, and seeks shareholder approval to enable the Company to call general meetings, other than annual general meetings, on at least 14 clear days' notice. The approval will be effective until the next Annual General Meeting, when it is intended that a similar resolution will be proposed. The flexibility offered by this resolution will be used where, taking into account the circumstances, the directors consider to be appropriate in relation to the business to be considered at the meeting in question and where it is thought to be to the advantage of shareholders as a whole. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

## APPENDIX: Summary of the principal terms of the LMS Capital Value Creation Plan (the “VCP” or “the Plan”)

### Introduction and overview

The **LMS Capital Value Creation Plan** is intended to create a long-term incentive for the key members of the management team at LMS which will be in line with the market norm for long-term incentive plans in the private equity fund management arena. The Remuneration Committee (“Committee”) considers that it will be essential for the Company to be able to provide this type of incentive so that it can attract and retain the talent that the business will need to deliver on its long-term corporate strategy.

The principle of the VCP is that participants share in a “VCP Pool” equivalent to a percentage of the increase in value of the Company in excess of an annual rate of return to Shareholders of 6% per annum over a five year period (the “Performance Period”).

### Remuneration Committee consideration of the current Coronavirus pandemic

The Remuneration Committee is aware that this Plan is being implemented at a time of considerable market uncertainty. The Committee has approached the calibration of the Plan on the assumption that, whilst the share price at the start of the Plan may be low, this should largely recover once the immediate Coronavirus crisis has subsided and the market has had time, at least to an extent, to recover. The design of the Plan therefore seeks to avoid participants benefitting from a temporary decline in share price which corrects within a reasonable period of time. The Committee will, at the end of 2020, review the starting point for measurement of performance and have discretion to adjust upwards (and only upwards) if considered appropriate.

If the Committee’s assumption in calibrating the plan is incorrect, and there is a longer term structural change in markets, the Committee will have discretion, subject to consultation with the Company’s principal shareholders, to amend the performance metrics and vesting criteria.

The Committee will complete its review following the end of the 2020 financial year and prior to the release of the preliminary results for that year.

The growth in shareholder value which underpins the creation of the VCP Pool will be based on a starting share price (“Opening Share Price”) in respect of initial awards in 2020 of the average closing share price of an ordinary share over the six months immediately prior to the initial award date. However, to avoid possible share price distortions due to the Coronavirus pandemic, there will be a minimum Opening Share Price of 30p.

In addition, two other safeguards for shareholders are being put in place as part of the VCP in the form of the following minimum performance hurdles:

- Firstly, there is a minimum performance hurdle such that the total returns to shareholders over the Performance Period of five years must exceed an annualised Total Shareholder Return (“TSR”) of not less than 8% before participants in the VCP receive any benefit.
- Secondly, no Awards can vest unless the share price at the relevant vesting date, when added to the aggregated value of all dividends that are declared during the relevant period, equals or exceeds 52.8p (representing a TSR of 12% per annum over the Performance Period on a notional initial award price of 30p).

These minimum performance hurdles are considered by the Committee to be suitably stretching targets.

If the minimum performance hurdles are achieved, the percentage of the increase in the value of the Company that will form the VCP Pool will depend on the annualised TSR that is achieved by shareholders over the Performance Period. This is summarised as follows:

- If the TSR over the Performance Period exceeds 6% pa, but does not exceed 12% pa, the value of the VCP Pool will equate to 8% of the TSR performance achieved above the 6% pa threshold.
- If the TSR over the Performance Period exceeds 12% pa, but does not exceed 20% pa, the value of the VCP Pool will equate to 8% of the TSR performance between the 6% pa threshold and the 12% pa return, plus 15% of the TSR performance above the 12% TSR pa return.

- If the TSR achieved over the Performance Period exceeds 20% pa, the value of the VCP Pool will equate to 8% of the TSR performance between the 6% pa threshold and the 12% pa return, plus 15% of the TSR performance between the 12% pa return and the 20% TSR pa return plus 17.5% of the TSR performance above the 20% TSR pa return.

At the end of the Performance Period, provided the two minimum performance hurdles have been achieved, each participant will normally be granted a nil-cost option to acquire ordinary shares (“Shares”) in the Company. The value of the Shares they would be granted under option will represent the participant’s proportion of the VCP Pool.

### **Operation**

The VCP is a discretionary long-term incentive plan under which the Committee may, within certain limits, grant Awards to eligible employees of and consultants to the Company and its subsidiaries (the “Group”). Awards will be granted in the form of VCP Units. Subject to meeting the performance conditions, the Award will be deemed to have vested at the end of the Performance Period. On vesting, the value of VCP Units will normally be settled by the Company granting nil-priced options over new ordinary Shares which will be exercisable for a period of one year from the option grant date. However, the Committee may choose to settle the vested VCP Units in cash if it considers that there are good reasons for doing so at the time.

### **Eligibility**

The VCP is primarily intended to operate for the Executive Directors and other selected members of the Group’s senior management, although, at the discretion of the Committee, other employees and some consultants may participate in the VCP. Non-Executive Directors are not eligible to participate in the VCP.

### **Limits**

The maximum number of VCP Units that may be subject to any original Awards under the Plan is 1,000 Units. These 1,000 Units make up the original VCP Pool and if only a proportion of these Units are awarded and vest at the end of the Performance Period, then only that proportion of the original VCP Pool will vest and be distributed to participants.

The VCP may involve the granting of options over new issue Shares, treasury Shares or Shares purchased in the market. The total number of Shares over which nil cost Options resulting from vested VCP Awards may be granted is limited such that not more than 10% of the Company’s issued share capital may be issued to satisfy Awards made under the Plan. Any Shares issued out of treasury shall count towards this limit for so long as this is required by institutional shareholder guidelines. Awards which are renounced, or lapse shall be disregarded for the purposes of these limits.

Where there is a capital raise in the future, the Committee may Award up to 1,000 additional VCP Units enabling participants to share proportionately in any gains made by shareholders on that additional capital. At such time the Committee may set different performance hurdles and metrics to those applying to original Awards under the Plan to the extent that it and the Board together determine, and which the Company’s advisors selected for this purpose confirm to be fair and reasonable.

### **Individual limit**

The maximum number of original VCP Units that may be awarded under the VCP to an individual is 300 Units, save that the Managing Director may be awarded up to 500 Units. The number of Shares that each Unit will ultimately deliver will depend on the TSR performance of the Company, although the number of Shares will not exceed the agreed dilution limits. Furthermore, the number of Shares that may be awarded in respect of one original VCP Unit may not exceed 0.01% of the issued Share capital of the Company at the Award date.

### **Grant of VCP Awards**

Awards may be granted under the VCP within a 42-day period following: (i) the date of approval of the Plan by the shareholders of the Company; (ii) the day after the publication of the Preliminary or Final Results of the Company for any period; (iii) any other time at which the Committee determines there are exceptional circumstances which justify the grant of the Award; or (iv) the day after the lifting of any dealing restrictions which prevented the grant of Awards.

No Awards may be granted under the VCP more than five years after the date the Plan is approved by shareholders of the Company.

## Opening and Closing Share Prices

The relevant Opening Share Price at the time of Grant, in respect of initial Awards made during 2020, will be the greater of the average closing share price of an ordinary share over the six months immediately prior to the Award date and 30p. However, given the wider market conditions caused by the Coronavirus pandemic, this Opening Share Price may be replaced if, at the end of the 2020 financial year, the Company's share price has recovered significantly by the year-end date. In such circumstances, the Committee would use its discretion to adjust upwards (and only upwards) the relevant Opening Share Price and replace it with such other share price as is considered appropriate.

In respect of each subsequent Award, the relevant Opening Share Price will be based on the average closing share price of a Share over the three months immediately prior to the date of the Award.

The relevant Closing Share Price will be based on the average closing share price of a Share over the three months immediately prior to the end of the Performance Period.

## Vesting of Plan Awards

Awards under the VCP are subject to the achievement of pre-determined performance conditions and/or other conditions set by the Committee at the date of grant. VCP Awards in respect of the original 1,000 VCP Units will normally vest, subject to the achievement of these conditions, at the end of the Performance Period which will be five years following the date of the first Awards of these VCP Units under the Plan.

The performance conditions which shall apply to any original Awards made are multi-levelled and shall be assessed once, at the end of the Performance Period. These have been summarised in the Introduction above.

VCP Awards which are subsequently settled by way of nil-cost options will normally remain exercisable for a period of one year from vesting.

If exceptional circumstances happen in the eyes of the Committee during a Performance Period, the performance conditions applying to any outstanding VCP Awards may be varied, substituted or waived if the Committee deems it appropriate, provided that the Committee considers that the new performance conditions are not materially less or more difficult to satisfy than the original conditions were when the Awards were originally granted.

In addition, the Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if it considers that these are out of line with the underlying performance of the Company. In particular it will have consideration for the effects of the Coronavirus pandemic and the extent to which this may have given participants an advantage or a disadvantage (with the benefit of hindsight) in deciding whether any formulaic outcomes should be adjusted.

## Potential Outcomes of the VCP for Shareholders and Participants

The table below provides illustrations only, based on a series of assumptions, of the potential costs and benefits of the VCP over the original Performance Period of Five Years. The information is provided to aid in the understanding of the Plan and is not a forecast of expected performance or potential outcomes.

The following tables set out for various TSR performance assumptions (assuming a starting share price of 33.95p\*), for the original Awards only,

- the total value created, or shareholder return for Shareholders;
- the value received by participants; and
- the dilution cost of the VCP.

Annualised TSR Achieved	8%	10%	15%	25%
Value of Closing Share Price plus dividends earned per share	48.96p	53.47p	66.30p	99.64p
TSR for Shareholders	£12,115,264	£15,761,033	£26,116,844	£53,029,625
Value received by Participants**	£0****	£562,447	£1,841,300	£6,242,741
Equity Dilution***	0%	1.46%	3.81%	8.43%

- \* The assumed 33.95p starting price for these purposes has been taken from the average of the six months closing share prices of an LMS Ordinary Share since 2nd January 2020 and assuming that the share price does not change between the 14th May and the 30th June.
- \*\* Assuming all original 1,000 VCP Units are allocated and they all vest (i.e. the maximum possible value).
- \*\*\* This dilution relates only to the issued ordinary share capital at the grant date and assumes that there is no change in the share capital over the performance period
- \*\*\*\* The reason why this is zero in this example is because the value of the Closing Share Price plus dividends earned over the Performance Period is less than 52.8p.

### **Holding period**

At the discretion of the Committee, VCP Awards will normally be granted subject to no further holding period in respect of Shares acquired following the exercise of any nil-cost options awarded at vesting.

### **Malus and clawback for VCP Awards**

#### **Malus**

The malus period will be up to the date of vesting (in the case of VCP Units) or the date of exercise (in the case of nil-cost options) and will apply on a solely or jointly basis as determined by the Committee.

At any time during the malus period, the Committee may decide that the number of VCP Units subject to the Award (or, if appropriate, the nil cost options so awarded after vesting) shall be reduced (including to nil) on such basis that the Committee in its discretion considers to be fair and reasonable in the following circumstances:

- discovery of a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company or any Group company;
- the assessment of any performance target or condition in respect of a VCP Award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the number of VCP Units, nil-cost options or Shares subject to a VCP Award was based on error, or inaccurate or misleading information;
- action or conduct of an Award holder which, in the reasonable opinion of the Committee, amounts to colleague misbehaviour, fraud or gross misconduct;
- actions or omissions that result in a failure of risk management that leads to a material loss and/or corporate failure; and
- events or behaviour of an Award holder that have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Committee is satisfied that the relevant Award holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the Award holder.

#### **Clawback**

The clawback period will follow on immediately from the date of exercise.

Clawback will be applied in any of the relevant circumstances listed above in respect of malus. Remedies where clawback is considered, on a fair and reasonable basis, to be justified may include the transfer of Shares, payment of cash or reduction of other Awards.

#### **Cessation of employment**

A “good leaver” is defined as a participant ceasing to be in employment with the Group by reason of death, ill health, injury, disability, redundancy, retirement or in any other circumstances at the Committee’s discretion. A participant who is a consultant to the Group and terminates his consultancy contract with the Group may only be a Good Leaver at the discretion of the Committee.

Anyone who is not a good leaver will be a “bad leaver”. Bad leavers will forfeit all their VCP Units.

A good leaver may subsequently become designated as a bad leaver at the discretion of the Committee if they (i) join a competitor within 12 months of leaving the Company (starting the day any notice period or gardening leave finishes) without the written agreement of the Company, or (ii) breach any post-employment covenants.

For good leavers, unvested VCP Unit Awards will ordinarily vest on the normal vesting date subject to: (i) the extent to which the performance condition has been satisfied at the end of the normal performance period; and (ii) pro-rating to reflect the period of time elapsed between grant and cessation of employment as a proportion of the normal vesting period.

### **Change of control of the Company**

Unvested VCP Unit Awards will vest early in the event of a change of control of the Company. The Committee will determine the value of the VCP Pool at that time based on the TSR achieved by Shareholders up to that date and based on the share price at which the change of control occurs. The value of any VCP Units at that time will then be converted into a number of Shares which shall be issued to those participants within one month after the date that the change of control goes unconditional. Any unexercised nil-cost options that exist at that time shall remain exercisable for a period of up to one month from the date of the change of control.

### **Non-transferability of VCP Awards**

VCP Awards are not transferable other than to the participant's personal representatives in the event of the participant's death.

### **Allotment and transfer of Shares**

Any Shares ultimately allotted or transferred under the VCP will rank equally with Shares then in issue (except for rights arising in reference to a record date prior to their allotment or transfer).

Applications will be made to both the Financial Conduct Authority and the London Stock Exchange in order to obtain the relevant approvals for admission and to trading for new Shares that are issued pursuant to the VCP.

### **Alternative settlement**

At its discretion, the Committee may decide to satisfy any VCP Units that vest by a payment in cash which shall equate to the £ value of those Units' share of the VCP Pool at the date of vesting.

### **Variation in capital**

In the event of a reorganisation or an event affecting the capital or funding of the Company, the basis of determining the TSR in relation to outstanding Awards of VCP Units, the basis upon which the value of the VCP Pool is determined or the number of Shares subject to any outstanding nil-cost Options may be adjusted by the Committee to the extent that it and the Board together determine, and which the Company's advisors selected for this purpose confirm to be fair and reasonable.

### **Taxation**

The vesting VCP Unit Awards and the exercise of options under the Plan is conditional, other than in relation to any employer national insurance contributions, upon the participant paying any relevant taxes due.

### **Benefits not pensionable**

Benefits received under the VCP are not pensionable.

### **Amendments**

Amendments to the VCP rules may be made at the discretion of the Committee. However, subject to the review described under 'Remuneration Committee consideration of the current Coronavirus pandemic' above, the basis for determining a participant's entitlement to be granted a VCP Award and/or acquire nil-cost options/Shares, the persons to whom an Award may be granted, the limitations on the total number of Shares over which options can be granted, the individual participation limits and the adjustments that may be made following a variation of capital cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the VCP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Group. No amendments may be made which adversely affects the rights of participants except where participants are notified of such amendment and approve such amendment.



The Committee is conscious that the Plan is being introduced during the Coronavirus pandemic and, therefore, is very aware that a fair and reasonable long term incentive plan would not allow for the management team to receive any unfair advantage from this period of uncertainty. As a result, the Committee will be particularly focused to ensure that, where required, discretion is used to make amendments to any aspect of the VCP if it believes that Participants have gained an unfair advantage because of the timing of the Plan's introduction.

**Note:** this Appendix summarises the main features of the rules of the VCP, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the rules will be available for inspection, from the date of this Notice of Meeting until the close of the Meeting, during usual business hours on any weekday (public holidays excluded) at:

- 3 Bromley Place London W1T 6DB; and
- IQ EQ Corporate Services (UK) Limited, Two, London Bridge, London, United Kingdom, SE1 9RA.

A copy of the rules of the VCP will also be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

The directors reserve the right, up to the time of the Meeting, to make such amendments and additions to the rules of the VCP as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix to this Notice of Meeting.

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