For professional investors and financial advisers only – not for use by retail investors

Aberdeen Asset Management PLC

Pillar 3 Market Disclosure Statement

2017

Aberdeen

Contents

1. Overview

1.1 Introduction

Aberdeen Asset Management ('Aberdeen' or the 'Group') is subject to prudential oversight by the UK Financial Conduct Authority (FCA), and by various regulators of the countries in which we operate.

These disclosures are prepared in accordance with the requirements established under the Capital Requirements Directive ('CRD') and the Capital Requirements Regulation ('CRR'), collectively referred to hereinafter as CRD IV. This is the framework for implementing Basel III in the European Union. CRD IV sets out certain capital adequacy standards and disclosure requirements to be implemented by regulated firms.

The Group's regulatory capital is assessed under the Basel Committees framework which comprises three 'Pillars':

- Pillar 1 sets minimum capital requirements to meet credit, market and operational risk;
- Pillar 2 requires firms and their supervisors to consider whether additional capital should be held to cover risks not covered by the Pillar 1 requirements; and
- Pillar 3 seeks to improve market discipline by requiring firms to disclose certain information on their risks, capital and risk management.

The rules in the FCA Prudential Sourcebook for Investment Firms ("IFPRU") set out the provision for Pillar 3 disclosure in the UK.

1.2 Basis and frequency of disclosure

The purpose of these disclosures is to give information on the basis of calculating capital requirements, risk assessment processes, risk exposures and capital adequacy. This is in accordance with the rules laid out in the Capital Requirements Regulation (Part Eight).

This document is updated and published annually. It will be published more frequently if there are significant changes to the business. It has not been verified independently, does not constitute any form of financial statement and should not be relied upon in making any judgment about the financial position of the Group.

1.3 Media and location of disclosure

This document has been approved for publication on the Group's website, within the investor relations section (**aberdeen-asset.com**).

2. Scope of Application

2.1 Group structure and composition

Aberdeen Asset Management PLC is the parent company of a global asset management group with a broad range of investment capabilities. These investment capabilities cover equities, fixed income, property, and solutions (which encompasses multi asset, alternatives and quantitative investments). The Group's business is conducted by a number of subsidiaries located in various global jurisdictions. Many of the subsidiaries are subject to regulation in their home countries and most of the local regulation follows similar principles to those which apply in the UK.

In the UK, the Group has three IFPRU €125k limited licence firms and two BIPRU €50k limited licence firms and these are described in the table below:

Group Company	Regulatory Classification
Aberdeen Asset Managers Limited	IFPRU €125k firm / MiFID firm
Aberdeen Asset Investments Limited (Previously Scottish Widows Investment Partnership Limited)	IFPRU €125k firm / MiFID firm
Parmenion Capital Partners LLP	IFPRU €125k firm
Aberdeen Investment Solutions Limited (previously Lloyds TSB Investments Limited)	BIPRU €50k firm / MiFID firm
Aberdeen Emerging Capital	BIPRU €50k firm / Collective Portfolio Management Investment / BIPRU firm / Full scope AIFM firm

There are three further regulated firms in the UK that are not subject to CRD IV:

Group Company	Regulatory Classification
Aberdeen Fund Managers Limited	UCITS / Full Scope AIFM / Collective Portfolio Management Firm
Aberdeen Asset Management Life and Pensions Limited	Insurance firm
Self-Directed Investments Limited (SDIL)	IPRU (INV) Chapter 13 firm

As disclosed in section 3 below, the Group is required, as part of CRD IV, to prepare an Internal Capital Adequacy Assessment Process document ("ICAAP"). The ICAAP applies to the Group's IFPRU and BIPRU subsidiaries.

Aberdeen is listed on the London Stock Exchange. Market capitalisation at the end of February 2017 was approximately £3.6 billion.

With regard to the risk assessment and risk management processes, the information is disclosed at Group level as Aberdeen operates a Group-wide risk management framework and the parent company Aberdeen Asset Management PLC ultimately bears the overall risk of the Group.

3. Governance & risk management

3.1 Governance structure

The Group seeks to operate in a consistent manner across all the jurisdictions in which it is present. Business is managed on a functional or divisional basis as well as having regard to local and regional issues.

The Board is responsible for the oversight of the operation of the Group, and for ensuring high standards of corporate governance. Where appropriate the Board has delegated powers to key Committees to aid the efficient and effective operation of the business. The Board has set up four governance committees, and the members of these committees are non-executive directors.

- Audit Committee
- Nominations Committee
- Risk Committee
- Remuneration Committee

In addition the Board, and the subsidiary boards, have delegated the responsibility for the operational management of the Group to the Group Management Board (GMB) and the Risk Management Committee (RMC).

The GMB and the RMC delegate significant aspects of operational management to subcommittees, including the following: Investment, Conduct, Investor Protection, Conflict of Interests, Pricing, Derivatives and Credit, Trade Execution, Information Security and Business Continuity, Client Assets, Performance and Investment Risk, Corporate Responsibility, Group Projects, Outsourcing Risk Oversight and Product Development.

3.2 Risk management framework

Overall accountability for risk management lies with the Board, who are responsible for maintaining and reviewing the effectiveness of the risk management, control and assurance frameworks and for determining the nature and extent of the risks it is willing to take in achieving the Group's strategic priorities.

The Group maintains a comprehensive risk management framework designed to identify, monitor and respond to principal risks and provides the structure necessary to ensure a consistent approach to risk management and risk reporting. The framework is reviewed regularly to ensure it supports the early identification of new and emerging risks so that they can be evaluated alongside known and continuing risks. This is a key element of our business model and is designed to safeguard client assets, protect the interests of all stakeholders and meet our responsibilities as a UK listed company and parent of a number of regulated entities.

It also forms the basis upon which the Board reaches its conclusions on the effectiveness of the Group's risk management and internal controls.

The assessment of risks is conducted using a top down approach, complemented by a bottom up assessment process. The top down approach considers the external environment and the strategic planning process to identify the most consequential and significant risks both to clients and shareholders. The bottom up approach ensures a comprehensive risk assessment process which identifies and prioritises key risks; analyses data to verify key trends; and provides management with a view of events that could impact the achievement of business and process objectives.

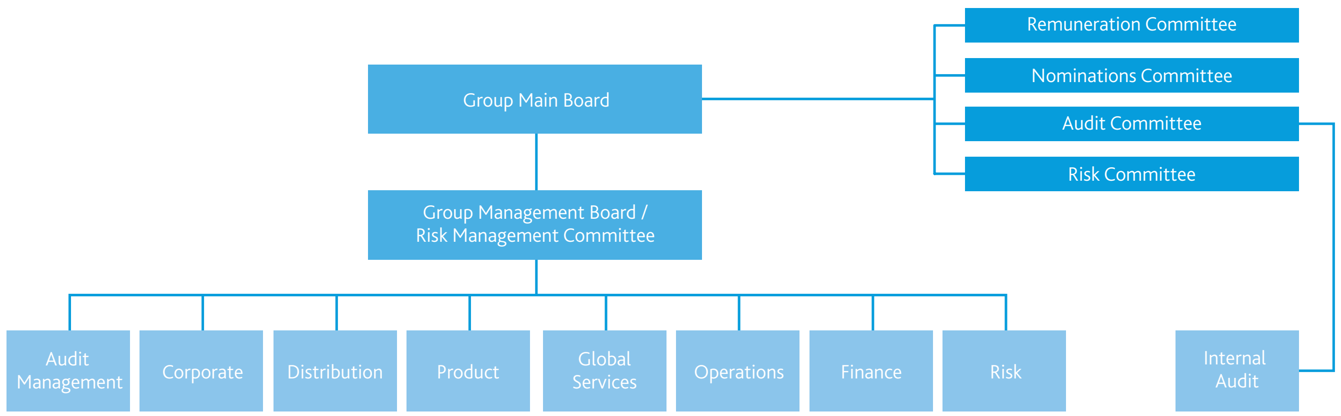
The overall risk management structure operates under a 'three lines of defence' model, which is supplemented by a range of risk related committees at divisional and operational business level. We also seek to promote a strong risk management culture and encourage values and behaviours which steer how employees conduct their work and make decisions. Board members and senior management frequently communicate the importance of a strong risk culture to enhance employee understanding and knowledge of risk.

3.3 Risk monitoring and reporting

The effective management of the risk process is facilitated through the Group's risk management system, Sword OneSumXGRC™. The system has been in operation for six years and supports risk identification, assessment, issue tracking, monitoring, assurance and reporting. The Board is provided with a number of risk reports, which it uses to review risk management arrangements and internal controls. The reports enable the Board to develop a cumulative assessment of the effectiveness with which internal controls are being managed and risk are being mitigated.

3.4 Internal capital adequacy assessment process (ICAAP)

The Group is required, as part of CRD IV, to prepare an internal assessment of its capital adequacy, referred to as an ICAAP. The purpose of the ICAAP is to determine, on an ongoing basis, whether Aberdeen and its subsidiaries are adequately capitalised in relation to the risks they bear. The process represents an opportunity to assess all principle risks to ensure their sound identification and quantification, allowing the determination of capital that is consistent with our risk profile.



Aberdeen's Pillar 2 capital requirement has been assessed as being higher than its Pillar 1 capital requirement and, as such, Pillar 2 represents the minimum regulatory capital requirement that must be held to cover its risks. The ICAAP exercise also includes:

- A series of stress tests and scenario analysis – these are financial scenarios that are used to help assess whether we are adequately capitalised to withstand a range of adverse circumstances and scenarios
- Reverse stress testing – a risk management tool used to identify a range of adverse circumstances which would cause our business model to become unviable and to assess the likelihood that such events could crystallise
- A wind down analysis – the objective of the wind down exercise is to demonstrate that we have sufficient financial resources and contingency plans to ensure that all clients' mandates and assets could be safely transferred to another investment manager while complying with Treating Customers Fairly principles

The ICAAP is integrated with the Risk and Control Self-Assessment (RCSA) process, which is designed to co-ordinate risk identification and risk management efforts, and improve the understanding, control and oversight of operational risks. Managers in the business are responsible for identifying and assessing the risk and controls in their areas, and the outputs from the RCSAs support the operational risk capital assessment within the ICAAP.

The Board of Aberdeen is responsible for the ICAAP, including assessing and approving the appropriateness of the capital adequacy. In addition, on an annual basis the Board is responsible for evaluating and approving the statements made in the ICAAP statement, as well as establishing and approving the risk management framework.

3.5 Risk appetite

The risk appetite statement specifies the types of risks the Board is willing to accept in the pursuit of our strategic objectives. The risk appetite is reflective of our strategy, organisational objectives, business plans and stakeholder expectations and is set across the breadth of the Group's key risk exposures. Our appetite for risk informs business decision-making and wider risk management processes, and is underpinned by qualitative and quantitative statements and risk limits, which have been designed to manage business activity and risk exposures in the context of risk appetite.

4. Risk Exposure Overview

The material risks to which the Group is exposed are set out below:

4.1 Operational risk

Operational risk is the risk that the Group will sustain losses through inadequate or failed internal processes, people, systems and external events. In addition, it could also suffer indirect losses through damage to reputation arising from operational risks materialising.

Risk and control assessment and attestation

The Group has taken both top-down and bottom up scenario based approaches to the quantification of operational risk. This is performed by taking a holistic, Group-wide evaluation of key risks which may cause a material financial impact to the business, and assessing the impact of these at a granular entity level. These key risks include loss of key staff, trade error, product misselling, and legal and regulatory risks.

The Risk and Control Self-Assessment ("RCSA") process is an integral part of the framework and is designed to integrate and co-ordinate risk identification and risk management efforts, and improve the understanding, control and oversight of operational risks. Managers in the business undertake RCSAs to review the key operational risks and controls and the impact and likelihood of these risks arising. The risk assessments are monitored on a regular basis to ensure the business continually understands the risks it faces. First and second line assurance is provided through a quarterly control sign off and annual risk sign off. This assists the Group in improving our understanding, control and oversight of operational risks and in turn facilitates the achievement of both individual department and Group-wide objectives.

The ICAAP process is integrated with the 'bottom-up' Risk and Control Self-Assessment approach (RCSA), which ensures a comprehensive risk assessment process that identifies and prioritises key risks and provides management with a view of events that could impact the achievement of objectives. The business risk function facilitates a series of RCSA workshops, to review the key operational risks and controls and the impact and likelihood of these risks arising. Internal loss events, external events, emerging risks, and audit and risk findings contribute to the risk identification process to ensure that the business considers all readily available information and to assist in challenging and mitigating any potential bias. Managers are required to confirm on a quarterly basis that controls in their areas have operated effectively.

Overview of risk assessment and quantification

A three-step approach is taken to quantify operational risk:

- The severity and frequency of each key risk is assessed on both an 'average' and 'worst case' basis through consideration of internal and external losses, the operating effectiveness of the internal control environment and discussion with risk owners
- The outputs are statistically modelled to produce a 1 in 200 year "worst case" capital impact capital estimate, taking into consideration diversification benefits as well as assessing and incorporating correlations between the risks
- The statistical capital estimate (model output) is then subject to a qualitative review by risk owners and senior management to ensure the relative ranking of risks and total capital, per risk and in aggregate, is reasonable

Aberdeen has adopted a Monte Carlo model for the estimation of its operational risk capital requirement. The model is subject to an internal and external review and validation process, most recently in March 2017.

4.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

4.3 Foreign currency risk

The Group's revenues are earned principally from management fees which are calculated as a percentage of the value of client portfolios and many mandates include investments valued in currencies other than sterling. Fluctuations in the rates at which overseas currencies are convertible to sterling can therefore affect the value of the Group's revenues on an on-going basis.

However, this is partially offset as Aberdeen operates on a global basis and as such the proportion of operating costs is also incurred in foreign currencies.

4.4 Interest rate risk

The Group is exposed to interest rate risk on the income side only as currently the Group carries no debt and therefore the impact of interest rate movements would only have a direct impact on the level of interest that the Group receives on its cash balances.

There are no liabilities that have an attached variable rate coupon.

4.5 Liquidity risk

The overall objective of the Group's liquidity risk management framework is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This takes into account cash balances, if applicable.

4.6 Credit risk

Credit risk is the inability of a client or counterparty to a financial instrument to pay in full amounts when due. The Group is exposed to credit risk in relation to trade and other receivables due from clients, cash balances on deposits in banks and investments.

The Group has adopted the standardised approach for the calculation of the minimum credit risk capital requirement provided under Pillar 1 of CRD IV. The Group therefore calculates the minimum capital requirement for credit risk as 8 per cent of all risk weighted exposures.

Assets which are past due or impaired

Financial assets are considered to be past due if a counterparty has not made payment by the contractually due date. An asset is considered to be impaired when the carrying value of the asset is greater than the recoverable amount through sale or use.

The Group reviews its financial assets on a regular basis for indicators of impairment.

Debtors consist mainly of outstanding management fees invoiced to clients. The table below presents those debtors which are past the contractually due date but are not considered to be impaired. When considering impairment of outstanding debtors, factors such as the age of the outstanding debt, changes in the credit quality of the counterparty and knowledge of the counterparty are used in the assessment.

Debts due from clients that are past due but not impaired

	30 September 2016 (unaudited) £m	30 September 2015 (unaudited) £m
Less than 3 months past due	5.4	9.4
Greater than 3 months past due	1.1	2.5
	6.5	**11.9**

Provisions against debtors

The Group makes provision against debtors where an assessment indicates that recoverability may be in doubt. The movement on this provision during the year is shown in the table below:

	30 September 2016 (unaudited) £m	30 September 2015 (unaudited) £m
At 1 October	0.1	0.2
Bad debt release in the year	(0.1)	(0.1)
At 30 September	**-**	**0.1**

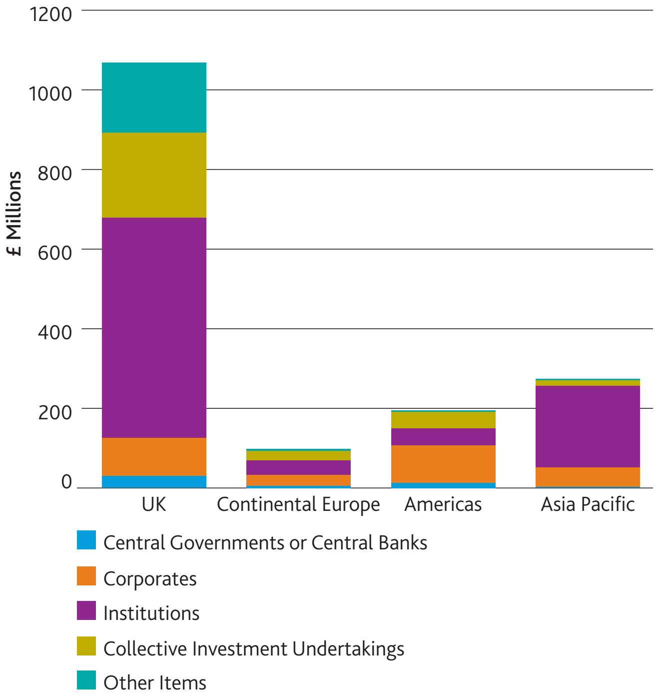
Analysis of the Group's credit risk exposure by exposure class

	30 September 2016 (unaudited)	
	Credit risk exposure £m	Risk weighted assets £m
Central government and central banks	50.6	50.0
Corporates	265.5	229.6
Institutions	837.0	129.3
Collective investment undertakings	293.9	293.9
Other items	188.4	61.7
	1,635.4	**764.5**

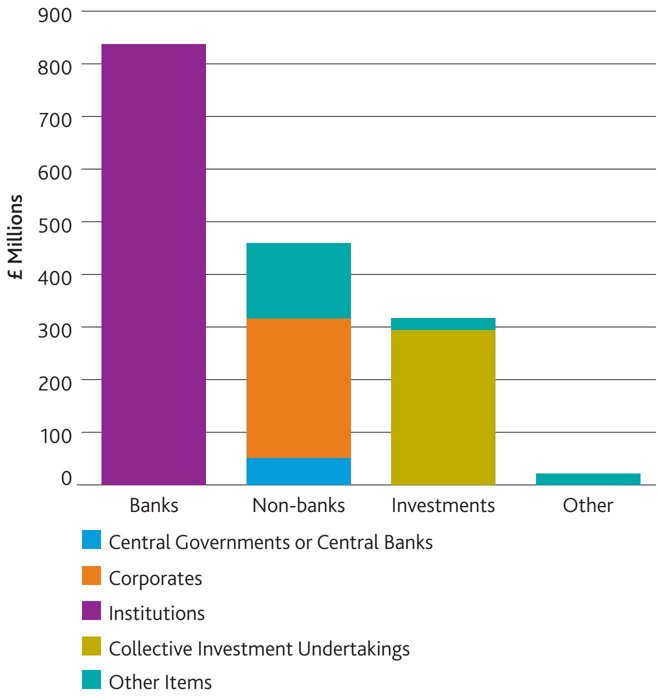
Assets backing long term liabilities of £1,671m and intangible assets of £1,489m are not included in capital and are not included in the exposure class analysis above.

The following graphs provide a breakdown of credit exposures by geographical distribution and counterparty type as at 30 September 2016.

Exposure by geographic distribution



Exposure by counterparty type



External Credit Assessment Institutions (ECAI)

The Group uses S&P to assess the credit quality of exposures which have an external credit rating. These are used for the Institutional and Central government or central bank exposure classes together with any counterparties within Corporates which may have an external rating.

Details of exposure values at 30 September 2016

Credit quality	Credit rating	Exposure value £m
1	AAA to AA-	533.6
2	A+ to A-	279.7
3	BBB+ to BBB-	18.6
Unrated	unrated	803.5
Total		**1,635.4**

The unrated exposures are analysed further in the table below.

Analysis of unrated exposures

	30 September 2016 (unaudited) £m
Investments including seed capital	317.5
Trade and other receivables	428.4
Cash and cash equivalents	3.7
Property, plant and equipment	21.5
Tax balances	32.4
	803.5

Analysis of the fair value of non-trading book equities

	30 September 2016 (unaudited)			30 September 2015 (unaudited)		
	Listed £m	Unlisted £m	Total £m	Listed £m	Unlisted £m	Total £m
Seed capital investments	200.6	-	200.6	148.9	-	148.9
Investments to hedge deferred bonus liabilities	53.7	-	53.7	43.4	-	43.4
Property funds	-	19.9	19.9	-	20.4	20.4
Others	0.3	43.0	43.3	3.5	28.5	32.0
Total	**254.6**	**62.9**	**317.5**	**195.8**	**48.9**	**244.7**

The principal methods and assumptions used in estimating the fair values in the table above are described in the Accounting Policies section of the 2016 Annual Report and Accounts and in note 27 to the accounts.

The cumulative realised gains arising from sales of assets treated as investments on the balance sheet during the year were £23.0m (2015: losses £9.6m). The total of unrealised gains during the year was £1.0m (2015: gains £1.0m) and these have been included in other reserves.

5. Capital Adequacy

5.1 Own funds

The amount of capital a firm is required to hold compared to the amount of assets is referred to in the current CRD as the "minimum own funds requirement" and the actual capital resources are referred to as "own funds". In order to absorb losses in a going or in a gone concern situation, institutions need own funds in sufficient quantity and quality.

The disclosures on own funds included in this document relate to the Aberdeen Asset Management PLC as consolidated on a regulatory basis.

The regulatory basis of consolidation differs from the accounting consolidation as it excludes the Group's insurance subsidiary, Aberdeen Asset Management Life and Pensions Limited. Information about the principal subsidiaries that impact the consolidated profits or net assets of the Group, including the regulated entities of the Group, is provided in note 32 and the Appendix of the Aberdeen Asset Management PLC Annual Report and Accounts.

The Group has three classes of shares: ordinary share capital, perpetual cumulative capital notes and preference shares.

Tier 1 capital is the going concern capital which allows a firm to continue its activities and helps prevent insolvency. Tier 1 can be sub-divided into Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1). The highest form of Tier 1 capital is CET1 capital because it is the most effective at absorbing losses. Aberdeen's Tier 1 capital is composed entirely of CET1 in the form of ordinary shares. Retained profits and certain other reserves are included in CET1.

At 30 September 2016, Common Equity Tier 1 is represented by ordinary shareholders' funds of £1,532 million (core tier 1 capital before deductions). Deductions in arriving at total Tier 1 capital as at 30 September 2016 include goodwill and intangible assets of £1,489m.

In addition to our CET1 capital we have in place additional tier 1 capital. This capital consists of £100 million non-voting, perpetual, non-cumulative, redeemable preference shares (the "preference shares").

The preference shares are unsecured, non-voting, perpetual, non-cumulative, contingent convertible preference shares in the capital of Aberdeen Asset Management PLC and the issuance consisted of 200,000,000 preference shares of nominal value of one pence each and a share premium of 49 pence each, fully paid in cash. The preference shares are not listed, traded or admitted to trading on any stock exchange or market. The shares rank pari passu, in priority to Aberdeen's ordinary shares and junior to the perpetual cumulative capital notes.

The holders of the preference shares are entitled to receive dividends out of the profits available for distribution and permitted by law to be distributed a non-cumulative preferential dividend at the fixed rate of 5% per annum on the total paid up amount of each preference share. Dividends are, however, due and payable only at the sole and absolute discretion of Aberdeen.

Upon the occurrence of a "conversion trigger event", each preference share shall automatically and irrevocably convert into ordinary shares of Aberdeen (i.e., common equity tier 1 instruments), within one month of the occurrence of the "conversion trigger event" or such shorter period as the FCA may require. A "conversion trigger event" will be deemed to have occurred if the CET1 Ratio has fallen below 5.125%.

Tier 2 capital is gone concern capital which is designed to ensure that depositors and senior creditors are repaid if the firm fails. The USD 500 million perpetual cumulative capital notes qualify as Tier 2 capital.

The capital notes have no maturity date, no incentive to redeem (ie no step-up) and are subordinated to the claims of all senior creditors on a winding up. The coupons on the notes are deferrable at the sole discretion at any time. There are no events of default other than failure to make payments of any principal or interest due – but repayment of principal can only be triggered by Aberdeen and the Board is entitled to defer payment of interest at its discretion (such deferral is expressly excluded from being an event of default).

Composition of regulatory capital

	£m
Paid up capital instruments	131.8
Share premium	898.6
Retained earnings	(281.2)
Other reserves	783.2
Common Equity Tier 1 ("CET1") Capital	1,532.4
Additional tier one capital	100.0
Total tier 1 capital before deductions	**1,632.4**
Deductions:	
Goodwill &intangibles, net of deferred tax	(1,410.5)
Deductible deferred tax assets	(10.3)
Fair value transitional adjustment	(1.0)
Total tier one capital after deductions	**210.6**
Total tier two capital	**321.6**
Total Capital Resources	**532.2**

5.2 Regulatory capital requirements

The Pillar 1 capital requirement (or minimum own funds requirement) is calculated as the higher of:

- The base capital resources requirement;
- The sum of the credit and market risk capital requirements; and
- The fixed overhead requirement.

The base capital resources requirement is considered for individual subsidiaries. This is shown in the regulatory classification and the base capital requirement for each subsidiary is either €125,000 or €50,000.

The market risk for firms relates to foreign exchange.

The Pillar 1 credit risk capital requirement is calculated in accordance with the standardised approach.

As at 30 September 2016

Capital Requirement	£m
A. Credit Risk	61.2
B. Market Risk	26.8
C. Sum of (a) and (b)	88.0
D. Fixed Overhead Requirement (FOR)	135.3
Pillar 1 Capital Requirement – Higher of (C) and (D)	135.3

6. Remuneration Disclosures

Remuneration disclosures for Aberdeen Asset Management PLC for the year ending 30th September 2016.

6.1 Decision making process for remuneration policy

The Group has a Remuneration Committee which meets on a regular basis to consider issues relating the Group's remuneration policy and structures. The Committee takes full account of the Group's strategic objectives in setting the remuneration policy and seeks to preserve shareholder value by ensuring successful retention, recruitment and motivation of employees. During the financial year ended 30 September 2016, the committee met on eight occasions.

The Committee operates under formal terms of reference which are reviewed annually to ensure that the Group is fully compliant with the Remuneration Code's principles. The Committee receives independent advice in respect of the Group's remuneration policy from external consultants, New Bridge Street (NBS), who provide information on market positioning and employment market conditions in various countries and regions in which the Group operates within, throughout the year. The Committee and management also receive employee and market survey data which is provided by McLagan.

Further details of the Group's annual remuneration process together with the composition and remit of the Remuneration Committee is available in the Group's 2016 Annual Report and Accounts under remuneration report, pages 68 to 85.

6.2 Material Risk Takers

In June 2014, the new regulations from the European Banking Authority (EBA) came into effect, which provide specific quantitative and qualitative criteria for identifying Aberdeen's Material Risk Takers.

Staff are identified as Material Risk Takers if they meet one or more of the criteria set out in the Regulatory Technical Standards, which include:-

- A set of 15 standard qualitative criteria relating to the role and the decision making power of staff members. If an individual is identified under these criteria, they are automatically identified as a Material Risk Taker.
- Standard quantitative criteria relating to the level of total remuneration of the staff member concerned, in absolute or relative terms. Individuals identified under these criteria may not be a Material Risk Taker if the individual does not have any impact on the risk profile of the firm.

In 2016, under the new rules, 77 individuals fall under the Material Risk Takers definitions. The Committee approves the list of Material Risk Takers annually. Material Risk Takers are notified of their identification and the implications of this status annually.

6.3. The link between pay and performance for Material Risk Takers

Remuneration is comprised of fixed pay (salary, non-contributory defined contribution pension and benefits in kind) and variable pay (defined as cash bonus and deferred awards). A significant proportion of variable pay (currently 75%) is deferred into Aberdeen Asset Management PLC shares and / or Aberdeen managed funds.

The remuneration committee makes an overall assessment of performance to determine variable remuneration. This assessment is based on a range of key performance indicators ("KPIs") linked directly to the Group's strategy, which provides a rounded assessment of the Group's performance. The remuneration committee reviews the KPIs each year, and varies them, if appropriate, to ensure they continue to reflect the priorities for the business.

The main emphasis is on financial metrics such as underlying profit before tax, underlying earnings per share, operating margin, cash conversion and ROCE. These KPIs are used because: they support value creation for shareholders; are a good indication of the strong operational disciplines in place; and, most importantly, reflect the Group's imperative to look after our clients.

For Executive Directors and the Executive Committee, the 75% deferred portion of annual bonus vests over not less than five years in equal tranches on the 1st, 2nd, 3rd 4th and 5th anniversaries of the award. For employees below this level, the 75% deferred portion currently vests in equal tranches over three years on the 1st, 2nd and 3rd anniversaries of the award.

In the case of Executive Directors, 100% of the deferred amount is in Aberdeen shares. Below Executive Director level, whilst the same 75% bonus deferral policy applies, some individuals are permitted to elect to receive up to half the deferred amount in the form of an investment in funds managed by Aberdeen; the balance of the deferred amount is delivered in Aberdeen shares.

For Executive Directors, a claw back principle applies to the bonus plan. This enables the committee to seek to recoup bonuses in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual. It allows both the equity and cash portions of bonus awards to be clawed back via the reduction or cancellation of any outstanding unvested deferred bonuses regardless of the bonus year to which they relate.

Changes to the Remuneration Policy

The current directors' remuneration policy was approved in January 2017. The following changes were agreed at the AGM:

- Introduction of individual caps on variable pay awards, defined as a multiple of fixed pay. There is a maximum amount of cash variable pay and a maximum amount of variable pay in deferred shares.
- Use of both annual and trailing key performance indicators in determining variable pay awards
- Retrospective disclosure, in each year's remuneration report, of the weightings and performance targets for each of the key performance indicators used in determining variable pay.
- The individual caps and disclosure practices have been applied to the 2016 remuneration review. This was a voluntary change made by the Remuneration Committee for 2016 rather than being required under the current policy.

6.4 Aggregate remuneration cost for Material Risk Takers

As at 30th September 2016, a total of 77 individuals have been identified under the new quantitative and qualitative criteria as Material Risk Takers. On the basis that Aberdeen Asset Management is one business unit, aggregate remuneration expenditure in respect of these Material Risk Takers in the year to 30 September 2016 was as follows:

	Senior Management	Material Risk Takers
Fixed Remuneration	£7.7m	£11.6m
Variable Remuneration	£18.7m	£20.6m
Total remuneration	£26.4m	£32.2m
Number of Individuals	22	55

6.5 Variable Remuneration for Material Risk Takers

As at 30th September 2016, the amounts and forms of variable remuneration for Material Risk Takers, split into cash, shares, share-linked instruments and other types;

	Senior Management	Material Risk Takers
Cash	£4.9m	£5.4m
Aberdeen shares	£10.9m	£8.2m
Fund shares	£2.9m	£7.0m

6.6 Outstanding Vested and Unvested Deferred Remuneration for Material Risk Takers

As at 30th September 2016, the amounts of outstanding deferred remuneration for Material Risk Takers, split into vested and unvested portions is as follows:-

	Senior Management	Material Risk Takers
Vested deferred share and fund awards	£11.3m	£3.6m
Unvested deferred share and fund awards	£29.2m	£16.5m

6.7 Paid out and Reduced Deferred Remuneration for Material Risk Takers

In the financial year to 30th September 2016, there were no amounts of deferred remuneration awarded during the financial year, paid out or reduced through performance adjustments.

6.8 New Sign On & Severance Payments

In the financial year to 30th September 2016, there were two leavers who were subject to severance pay. These leavers are not identified as Material Risk Takers under CRD IV, and therefore are not part of the 77 individuals in this report. There were no new sign on payments made and therefore there are no individuals to report on in relation to the highest such award to a single person.

The value of investments and the income from them can go down as well as up and your clients may get back less than the amount invested

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