Remuneration Policy Statement

PATRIZIA Financial Services Limited

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1. Remuneration Policy

The Financial Conduct Authority ('FCA') has systems and controls rules (SYSC 19C for BIPRU 50k firms and where relevant SYSC 19F) regarding remuneration of key staff of certain FCA authorised firms. This includes investment management firms such as PATRIZIA Financial Services Limited ("PFSL"), regardless of the type of remuneration involved. This reflects the spirit and rules of the EU Capital Requirements Directives on capital adequacy. It also reflects Article 27 of the MiFID Org Regulation.[1]

As a firm with investment management permissions, PFSL is deemed to be a common platform firm to which both CRD and MiFID requirements apply including on Remuneration.

These rules include a number of Principles and the FCA considers that firms need to align remuneration policies with effective risk management. The 12 Principles can be applied on a 'proportionate' basis according to the nature of a firm's business, organisation and its risk profile.

The FCA has issued guidance on proportionality since the Codes were increased including most recently in May 2017 at FG 17/7, as detailed here.[2] PFSL takes this guidance into account when considering the application of the Remuneration Codes. The FCA also recently updated its Remuneration webpage in February 2019 as detailed here.[3]

All relevant firms are required to comply with either SYSC 19A – 19E (depending upon prudential supervision category) which includes having a documented remuneration policy, identifying 'Material Risk Takers' or 'Code Staff' (as defined by the FCA rules), and ensuring that any remuneration arrangements for such staff for the current and future years comply with these requirements. The policy should be reviewed at least annually or more frequently if the firm's Code Staff or remuneration arrangements change.

Attached is the Remuneration Policy for PFSL for remuneration year 2019 which all Directors and/or Code Staff are asked to consider, adhere to and sign. The FCA has issued guidance on their expectations of such Policies including a policy template, originally issued under SYSC 19A and on which PFSL's Remuneration Policy is based. PFSL has decided to use its own format rather than the FCA template taking into consideration the nature and circumstances of the firm. PFSL has set out some further guidance on its remuneration code which goes further than the statement made in PFSL's Pillar 3 disclosure which is reviewed annually.

At present the Remuneration Code policy statement reflects the firm's prudential supervision status as a BIPRU €50k firm. As such, SYSC 19C is the relevant chapter for PFSL according to its prudential supervision status. A Code performance year for PATRIZIA will currently run from 1 January – 31 December which is the firm's financial year. PFSL is a subsidiary of PATRIZIA UK which is the one of the main operating entities in the UK and also one of the group's UK employers.

This RPS is for the year 1 January 2018 – 31 December 2019.

There are no fixed bonus schemes in place for any of the Code Staff. The only bonuses paid would be on an ad hoc and discretionary basis once per year. There is no set format for deciding how to allocate bonuses, but it is based on company and individual performance.

There are currently no executive incentive schemes in place for Code Staff.

SYSC 19F is also considered to apply to all firms in scope of SYSC 19 and outlines principles for remuneration for sales staff and advisers that are not considered to be 'Code Staff'. As such, as the current

[1] https://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-2398-EN-F1-1.PDF.

[2] https://www.fca.org.uk/publication/finalised-guidance/guidance-on-proportionality-bipru-firms-sysc-19c.pdf.

[3] https://www.fca.org.uk/firms/remuneration.

performance year, PFSL does not have any relevant staff to which SYSC 19 would separately apply to over and above SYSC 19C. It should be noted that no proportionality arrangements apply to SYSC 19F.

This policy has also taken into account any other general guidance that the FCA has issued in relation to incentives and performance management incentives including FCA FG 15/10 and FSA 13/1.

2. Code Staff

The FCA classifies Code Staff as those staff whose activities could have a material impact on the firm's risk profile. The Code Staff for PFSL have been identified as those staff who work on PFSL activities. They are easily identifiable and the risks and responsibilities for all staff are consistent throughout the platform hence one approach can be applied to all.

The three code staff at the end of the performance year are:

- UK
  - Rob Brook: CF1 (SMF3 from 9 December 2019),
  - Tom Stenhouse: CF1, CF10, CF11, CF28 (respectively SMF3, SMF16 and SMF17 from 9 December 2019),
  - Christine Milne: CF1 (SMF3 from 9 December 2019).

3. Principles

3.1. Principle 1 – Risk management and risk tolerance

All PFSL staff, including Code Staff, are paid on a pure salary basis through PATRIZIA UK with the chance to be awarded discretionary bonuses. The salaries are not linked to the performance of any of the underlying PFSL client related activity nor are the discretionary bonuses. Through this payment system there is no benefit for staff to take any risks with respect to any of the contracts under management.

3.2. Principle 2 – Supporting business strategy

The long term plan for the PATRIZIA Group is to build assets under management through third party acquisitions and management contracts. The majority of the PATRIZIA staff involved with the PFSL business have all worked together for some years and the remuneration policy is treated equally and fairly to reward all staff on a level basis according to their level of seniority. All staff benefit through increased funds under management and hence the interests of both the firm and the staff are aligned.

3.3. Principle 3 – Avoiding conflicts of interest

Senior management are well integrated into each of their respective teams and hence are on hand to deal with any conflicts of interest as they could arise. All staff are paid for by PATRIZIA entities and not remunerated in any way by the funds under management hence the PATRIZIA company is their employer and for whom they are contracted. By ensuring there is one company paying each member there are clear lines of reporting and rewarding staff and no room for conflicts from payments from other parties.

3.4. Principle 4 – Governance

- When it comes to any decisions on remuneration senior management of the PATRIZIA group discuss and approve decisions accordingly;
- Any decisions for remuneration are closely scrutinised to ensure it is in the best interests of the clients and the company.
- The senior management of PATRIZIA UK have full discretion to award bonuses as they see fit which is approved by the Board of PATRIZIA AG.

3.5. Principle 5 – Control functions

- Employees in control functions are also senior managers and Code Staff. They are aligned in their interests of the success of the business and the full servicing of clients to the highest standard.
- UK risk and compliance functions have no input into the setting of PFSL remuneration policies. Senior management by definition have risk and compliance functions in so far as they run their office and teams and also due to being senior management are paid on the basis of being senior management.

3.6. Principle 6 – Remuneration and capital

The PATRIZIA group keeps a close eye on overheads as a whole and this ensures the capital base is kept as strong as possible.

3.7. Principle 7 – Exceptional government intervention

Not applicable.

3.8. Principle 8 – Profit based measurement and risk adjustment

There is no impact at direct PFSL level.

3.9. Principle 9 – Pension policy

All the PATRIZIA Group staff in the UK receive nominal contributions to a pension which has been set up with a third-party provider and is in line with government regulations. There is no impact at direct PFSL level.

3.10. Principle 10 – Personal investment strategies

Employees are left to manage their own affairs and we are not aware of any of them having personal hedging strategies in place. PFSL staff are aware that such policies are not permitted and receive a copy of this policy.

3.11. Principle 11 – Avoidance of the Remuneration Code

All staff are paid on the same month end basis by one of the PATRIZIA Group companies in a consistent method for a business such as the one we run. There are no other payments made to staff through any other vehicles or methods which could create conflicts or issues.

3.12. Principle 12 – Remuneration structures

- If a discretionary award was to be made to a member of staff that individual would need to be recommended by their office head and senior management would then discuss and analyse the recommendation to see if there was a business case to make such an award. Analysis would include reviewing the individuals pay package compared to the market rates, the level of work undertaken and hours worked and the added benefit added by the individual in order to justify the higher cost base to the company.
- No new Code Staff have been recruited in the last 12 months where introductory incentives have been made and there have been no retention awards made to any Code Staff in the last 12 months.
- There is no set principal between fixed and variable remuneration components.

3.13. Principle 13 – Disclosure

Our remuneration policy under BIPRU 11 and Pillar 3 disclosures is set out on the PATRIZIA Group website. It is accessible to everyone to download.

We confirm that we believe that the Remuneration Policy as documented above, as of 31 December 2019 is adequate, proportionate and suitable given the nature, scale and complexity of PFSL's business.

This policy is subject to periodic review.