

Shareholder Engagement Policy

PATRIZIA Financial Services Limited

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1. EU Shareholder Rights Directive

The EU Shareholder Rights Directive ('SRD II') was implemented in the UK on 10 June 2019 and requires asset owners (institutional investors) and asset managers of securities which are traded on EU regulated markets to make disclosures about their long term investment strategies, their arrangements with each other and their engagement with the companies they invest in. The new rules build on previous legislation and seek to improve transparency by enhancing the flow of information across the institutional investment community, and by promoting common stewardship objectives between institutional investors and asset managers.

As a result of this, also from 10 June 2019, the Financial Conduct Authority ('FCA') amended its rules at COBS 2.2 rules to implement SRD II for the asset managers it regulates, with the key rule changes at COBS 2.2B as follows:

- New requirements regarding the public disclosure of their shareholder engagement policies, and periodic public disclosure of the implementation of such policies.
- New requirements regarding the disclosure to asset owners of the manager's shareholder engagement activities.
- For UK companies with shares admitted on a regulated market, requirements regarding the disclosure and approvals required for related party transactions.

The transparency requirements apply to asset managers, including MIFID investment firms, alternative investment fund managers (AIFMs) (excluding 'small' AIFMs), UCITS management companies, self-managed UCITS funds and FCA-regulated insurers.

Whilst this may not cover the full universe of institutional investor, the SRD II requirements should also be considered alongside the Financial Reporting Council's Stewardship Code as described below.

Therefore in accordance with COBS 2.2B, as a UK MiFID investment firm, where PFSL is providing portfolio management services, it is required by the Financial Conduct Authority (FCA) as the UK regulator to disclose on its website either:

- an Engagement Policy describing how it conducts and monitors shareholder engagement on behalf of its investee companies, and an annual update on how this policy has been implemented; or
- a clear explanation of why it has chosen not to comply with these requirements.

2. UK Stewardship Code

Under FCA rules COBS 2.2A.5 and 2.2.3, the FCA requires investment managers to publicly disclose the extent of their commitment to the UK Stewardship Code ('the Code'). This is a voluntary code which was originally published by the Financial Reporting Council ('FRC') in July 2010 and last updated with effect from 1 January 2020. It aims to enhance the quality of engagement between institutional investors and investee companies to help improve long term returns to shareholders and the efficient exercise of governance responsibilities.

For firms that are committed to the Code, this is applied on a 'comply or explain' basis. Compliance with this Code is not mandatory and the FRC recognises that not all parts of the Code will be relevant to all institutional investors.

The FCA requires all regulated firms which manage investments on behalf of professional clients (including collective investment vehicles) to disclose the nature of their commitment to the Code or where they do not commit to the Code, their alternative investment strategy.

The 2020 Code focuses on outcomes for investors and defines stewardship as: “the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”.

It lists the following activities as coming within the meaning of the above term:

- Analysis before investment.
- Monitoring assets and service providers.
- Engaging issuers and holding them to account on material issues.
- Working with others to influence issuers, and with others to manage market-level risks.
- Publicly reporting on the outcomes of these activities.

The 2020 Code has been restructured so that it follows a similar structure to that of the 2018 UK Corporate Governance Code. It is divided into five main sections covering the core areas of stewardship responsibility: (i) purpose, objectives and governance; (ii) investment approach; (iii) active monitoring; (iv) constructive engagement and clear communication; and (v) exercise rights and responsibilities.

The Code follows an ‘apply or explain’ model setting out twelve principles (compared to the previous Code which contained seven) for asset owners and asset managers and six principles for service providers with both sets of principles being supported by reporting expectations.

A link to the most recent Code is attached [here](#) including a description of the 12 principles that apply to asset managers and reflecting the activities listed above.

3. PFSL –Stewardship Code - Comply or Explain

PFSL forms part of the PATRIZIA AG group and primarily acts as an independent investment adviser, manager and/or collective investment scheme operator to property based investment funds. These are often set up as joint venture vehicles. The funds are the firm’s Clients and as such are all deemed to be professional investors as defined under COBS 3.5.

The investment objective of the types of property based funds that the firm may act for is to provide investors with an attractive level of income together with the potential for income and capital growth. The firm aims to maintain some geographic diversification and any portfolio is expected to be diversified by factors such as geography, industry sub-sector and investment size.

Current services includes PFSL acting as an operator to a small number of joint venture entities which are therefore out of scope also of the Alternative Investment Fund Managers Directive (‘AIFMD’). At present no new investments are being recommended and the schemes are currently in wind-down over a period of time with underlying property sales only. When making sales, a fund uses PFSL to lead the instructions and these instructions are determined by the Client.

PFSL determines its general approach to stewardship on a case by case basis, taking into account the actions that will lead to the most favourable outcome for the value of its client(s) investments. The firm has a written conflicts of interest policy in relation to any conflicts that may arise between the firm and its client(s) and also when relevant between different clients, and this policy is monitored and reviewed regularly, at least annually.

The firm will monitor its investments on a regular basis and carried out appropriate due diligence prior to investing. Records are kept of any such due diligence including findings on the detailed research carried out prior to each investment.

As detailed above, the firm operates the Funds which have underlying investments in different asset classes to listed securities including those where shareholder voting rights do not apply. The firm does not have a

fixed policy for proxy voting and would only vote where we believe it is in our underlying investor's interest to do so.

The firm supports the aims set out within the SRD II and the Stewardship Code and where relevant to its activities, a number of the principles behind these requirements. However its specific provisions are not deemed to be appropriate or proportionate to the type of investment strategy and dealing in investments currently undertaken by the Firm given these are property related and not related to securities trading on EU regulated markets. The funds that the firm operates have property located in different jurisdictions and therefore it does not consider it appropriate to commit further to any particular voluntary code of practice relating to individual jurisdictions at this stage.

Should any of the above change in the future, including the firm carrying out investment management activities relating to listed securities, the firm will review its commitment to the Code at that time and make appropriate further disclosure.