

Remuneration Policy

Park Square Capital, LLP

2022

1 Introduction

1.1 Overview

This remuneration policy (“Remuneration Policy”) is designed to support Park Square’s business objectives and strategy by attracting and retaining high-calibre staff and aligning Park Square’s risk appetite with that of its clients being the general partners of the funds and separately managed accounts it advises or manages (“the Funds”).

Additionally, this policy aims to remunerate staff effectively to align interests to contribute to Park Square’s overall success and long-term strategic objectives.

1.2 Background

Park Square Capital, LLP (“the Firm”) is a MiFID investment firm, authorised by the Financial Conduct Authority (“FCA”) under registration number, 414858.

Park Square applies the FCA’s SYSC 19G rules on remuneration (the “MIFIDPRU Remuneration Code”).

1.3 Proportionality

In accordance with FCA rules on proportionality, the disclosures in this policy are made in accordance with the size, internal organisation, nature, scope and the complexity of the firm’s activities (MIFIDPRU 19G.1.26).

1.4 Scope of Policy

The Remuneration Policy applies to all staff members at Park Square, with additional provisions in place for staff identified as material risk takers as defined in the MIFIDPRU Remuneration Code.

This Policy applies in respect of each “performance year”, which is each calendar year. For the performance year ended 2022, the Firm identified the following individuals as material risk takers.

Material Risk Taker	Role	Material risk taker?	LLP Member or employee
Robin Doumar	Managing Partner	As a member of Executive Committee and Investment Committee	Member (Principal Member)
Ruediger Blank	Investment Professional and Partner	As a member of Executive Committee and Investment Committee	Member

Oswaldo Pereira	Investment Professional and Partner	As a member of Executive Committee and Investment Committee	Member
Jacob Ucar	Investment Professional and Partner	As a member of Executive Committee and Investment Committee	Member
Matthias Alt	Investment Professional	As a member of Investment Committee.	Member
Axel Wehtje	Investment Professional	As a member of Investment Committee.	Member
Andrew Haywood	Chief Financial Officer, Chief Compliance Officer and Partner	As a member of Executive Committee.	Member
Roger Kempink	Head of Investor Relations and Partner	As a member of Executive Committee.	Member

(MIFIDPRU 19G.5.1-13)

1.5 Purpose and Objectives of the Policy

The Remuneration Policy is designed to ensure that Park Square:

- promotes consistent and effective risk management;
- does not encourage risk-taking which is inconsistent with the risk profiles of the Funds or with respect to specific factors, including sustainability factors;
- does not remunerate staff in a way which creates personal incentives for them to act in a way or make decisions which are not in the best interests of the Funds;
- implements measures to prevent conflicts of interests in accordance with the EU MiFID II requirements, particularly to ensure that staff:
 - do not pursue personal interests when promoting Funds to third-party investors; and
 - do not pursue personal interests when making investment recommendations to, or executing trades on behalf of, Park Square Funds.

The Remuneration Policy is further designed to support Park Square's and the Funds' business strategy, objectives, values and long-term interests and to set out the principles governing the Firms' remuneration policy. (MIFIDPRU 19G.2.8-11).

1.6 Annual Review

The Remuneration Policy and the Firm's remuneration schemes are reviewed annually by Park Square's Human Resource and Compliance teams prior to being approved by [the Remuneration Committee].

This policy was last reviewed in May 2022.

1.7 Remuneration Committee

As Park Square is not subject to the extended MIFIDPRU Remuneration Code, it is not required to establish a Remuneration Committee. However, Park Square has decided, for reasons of internal governance, to establish a Remuneration Committee consisting of members of Park Square Capital LLP as nominated from time to time by the Managing Partner. Park Square is not required to appoint independent non-executive members to its Remuneration Committee.

2 Application of remuneration principles and objectives

2.1 Gender neutrality and protected characteristics (MIFIDPRU 19G.2.6-7)

Park Square's compensation policies and practices do not directly discriminate against staff members with protected characteristics under the Equality Act 2010, namely: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; or sexual orientation. Furthermore, the risk of indirect discrimination in variable compensation (whereby policies, practices or procedures that appear to treat everyone equally are in practice less fair to those with a protected characteristic) is addressed through using consistent performance ratings in the annual review process.

2.2 Risk management and risk tolerance

The Remuneration Policy is designed to be consistent with and promote sound and effective risk management. Furthermore, it is in line with the business strategy, objectives and long-term interests of the firm. (MIFIDPRU 19G.2.8-9)

When setting remuneration for its staff, Park Square considers the following factors:

- market conditions for each role;
- individual performance against objectives; and
- the financial performance of the Firm.

Park Square sets staff remuneration by providing an annual fixed salary and a discretionary bonus at the end of a financial year, which may be deferred as determined. Park Square offers a carried-interest scheme to eligible staff members in order to align interests with the performance of the Funds.

When setting staff remuneration, the Firm's internal Remuneration Committee takes into account Park Square's regulatory capital adequacy requirements (as determined by the FCA's ICARA and fixed overhead requirements) in order to ensure sufficient capital remains in the business, as well as to support its ongoing business activities.

2.3 Supporting business strategy, objectives, values and interests

Park Square's internal Remuneration Committee reviews the adequacy of the Remuneration Policy by annually reviewing the Firm's key financial performance indicators as well as its overall business strategy, objectives and long-term interests. When considering the business strategy, objectives and long-term interests of the Firm, Park Square takes into account:

- the firm's risk appetite and strategy, including environmental, social and governance risk factors;
- the firm's culture and values; and
- the long term-term effects of the investment decisions taken. (MIFIDPRU 19G.2.10)

2.4 Avoiding conflicts of interest

Park Square's Remuneration Policy and established remuneration mechanisms are designed to prevent conflicts of interest from arising between the Funds and those of its staff members, as well as encourage responsible business conduct and promote risk awareness and prudent risk taking (MIFIDPRU 19G.2.11). For example, the carried-interest scheme available to eligible staff members creates a long-term alignment of interest between staff and the performance of the Funds. Additionally, to the extent Firm appoints members of the management body who do not perform any execution function in the Firm, it will not pay variable remuneration to those members. (MIFIDPRU 19G.2.12)

Park Square has established a separate Conflicts of Interest Policy, set out in its compliance manual, to further prevent conflicts of interest from arising between the Funds and its staff members, as well as other potential conflicts.

2.5 Decision-making process for Remuneration Policy

The Firm's internal Remuneration Committee meets regularly, and at least annually, to discuss any issues relating to the Remuneration Policy, such as changes to the Firm's business activities or organisational structure, which may require the policy to be updated. The Remuneration Committee is responsible for setting the remuneration levels for all staff members, considering any recommendations made by the staff members' line managers. It is supported, where relevant, by the control functions, including human resources, internal audit, and compliance. (MIFIDPRU 19G.3.1-3)

The Remuneration Committee decides the remuneration of material risk takers, which includes the Firm's Managing Partner and the Chief Financial Officer, supported by the HR Manager.

The Firm conducts, at least annually, a central and independent internal review to ensure that the implementation of remuneration policies and practices complies with this Policy. (MIFIDPRU 19G.3.4-5)

Park Square ensures that staff engaged in control functions (risk management, legal, compliance, HR and finance) are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The Remuneration Committee oversees remuneration of senior officers in risk management and compliance functions. (MIFIDPRU 19G.3.6-7).

Additionally, Park Square recognises the conflict of interest risk between having a Remuneration Committee member involved in discussions relating to his or her own remuneration and making decisions. To prevent such a conflict from arising, Remuneration Committee members are excluded from discussions (and decisions) relating to his or her own remuneration. (MIFIDPRU 19G.3.8)

To summarise:

- the Firm's Remuneration Policy is reviewed annually by the Remuneration Committee in line with the applicable FCA rules, and, following a significant changes or updates to the regulatory capital adequacy requirement as determined by the ICARA; and
- the Firm's ability to pay bonuses is discretionary and is based on the Firm's actual financial performance (i.e. the net profit for the year) as opposed to expected profits. If the Firm's financial performance is weak, the bonus pool available to staff is reduced accordingly.

2.5.1 *Link between pay and performance: Fixed Salary*

Remuneration for staff is made up of fixed pay (salary in the form of fixed monthly drawings for members of the Firm) and variable (performance related) pay. The amount of fixed pay is set with reference to market benchmarking and reviewed at least annually. (MIFIDPRU 19G.4.1-2)

2.5.2 *Link between pay and performance: Variable Remuneration*

The Firm's approach to the remuneration of staff members is to attract and retain individuals of the highest calibre and reward them appropriately to align their interests with the financial performance of the Firm. Variable remuneration is an important part of any person's remuneration, particularly with regards to alignment where contribution to performance and recognising good or bad behaviour.

Variable remuneration is typically made up of:

- **Sign-on bonuses:** discretionary amounts paid to certain new joiners.
- **Performance related pay:** is a discretionary amount payable linked to a staff member's performance in their role. Discretionary compensation seeks to reward good performance and to align staff interests by linking the bonus calculation to the overall profitability of the Firm and its objectives. Consideration is given to targets achieved, including in relation to ESG and diversity and inclusion. For Members of the Firm, this is profit share from the Firm.
- **Carried Interest and Incentive Capital:** long-term variable incentive mechanisms, in the form of a participation in the Firm's profit-sharing vehicle in the Funds. The carried-interest and incentive capital ensures the alignment of staff interests with the performance of the Funds.
- **Long Term Incentive Plans:** generally referred to as LTIPs, is a discretionary amount awarded, linked to a staff member's performance in his or her role, paid in instalments vesting over several years.

Other factors which may impact the performance related pay a staff member receives include financial and non-financial criteria such as:

- The overall results of the Firm;
- Individuals are rewarded based on their contribution to the overall strategy of the business or performance in a business function such as:
 - investment generation;
 - investor relations; or

- operations.
- Other factors such as performance, reliability, effectiveness of controls, business development, sustainability and ESG objectives, contribution to the business and behaviour are also taken into account when assessing the performance of the senior staff responsible for the infrastructure of the Firm. Where appropriate, non-financial criteria can override financial criteria in determining an individual's variable remuneration. Particular importance is placed on conduct. (MIFIDPRU 19G.6.4-6)

Park Square ensures that variable remuneration does not affect the Firm's ability to ensure a sound capital base. (MIFIDPRU 19G.6.1)

2.5.3 Balance of fixed and variable components of total remuneration

The fixed and variable components of the total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration so as to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

To this end, Park Square has set an appropriate maximum ratio between fixed and variable remuneration. In setting an appropriate maximum ratio, the Firm has considered all relevant factors, including (i) the Firm's business activities and associated prudential and conduct risks; and (ii) the role of the individual and, in the case of material risk takers, the impact that different categories of staff have on the risk profile of the Firm. This ratio is kept confidential to a set number of staff. (MIFIDPRU 19G.4.5-12)

2.6 Exceptional government intervention

This does not apply to the Firm. (MIFIDPRU 19G.6.2-3)

3 Profit-based measurement and risk adjustment

All performance related pay paid by the Firm is on a discretionary basis. It is based on the Firm's actual financial performance rather than on anticipated results. The Firm reserves the right to defer any performance related pay, as well as apply malus and clawback. (MIFIDPRU 19G.6.7)

Variable remuneration is paid or vests only if it is sustainable according to the financial situation of the Firm as a whole, and justified according to the performance of the firm, the respective line of business and the individual concerned. (MIFIDPRU 19G.6.15-18)

3.1 Guaranteed variable remuneration

Park Square does not pay guaranteed variable remuneration (i.e. guaranteed bonuses regardless of performance) to a material risk taker unless this occurs only in the context of hiring new material risk takers, is limited to the first year of service and the Firm has a strong capital base. (MIFIDPRU 19G.6.8-9)

3.2 Retention awards, early termination (severance) payments and buy-out awards¹

Retention awards are not paid to material risk takers as common practice, and are dependent on a staff member remaining in their role until a defined event or for a set period of time.

Payments related to early termination of a material risk taker's contract (severance payments) reflect performance achieved over time and are designed in a way that does not reward failure. The award of severance payments other than in accordance with the terms of the applicable contract is approved by the Firm on an *ad hoc* basis and in the best interests of the Firm.

Remuneration packages for material risk takers relating to compensation for, or buy out from, a material risk taker's contracts in previous employment: (i) align with the long term interests of the firm; and (ii) remain subject to the same pay-out terms required by the previous employer.

All guaranteed variable remuneration, retention awards, severance pay and buy-out awards are: (i) (if paid to material risk takers) subject to clawback; and (ii) included in the variable component of the fixed to variable ratio for the performance period in which the award is made. (MIFIDPRU 19G.6.10-14)

3.3 Performance adjustment - malus and clawback

Malus and clawback is applied to variable remuneration received by material risk takers on the basis set out in the separate policy "Park Square Capital, LLP - malus and clawback policy under MIFIDPRU Remuneration Code". (MIFIDPRU 19G.6.30-34)

3.4 Pension policy

Pension arrangements are regularly reviewed by the HR Manager and updated to reflect any legal requirements or market standards, to attract and retain high calibre staff.

3.5 Personal Hedging

Personal hedging is not permitted as outlined in the Firm's Compliance Manual. This is monitored through the Personal Accounts Dealing policy and a process that is managed by the internal compliance team. Staff confirm their adherence to the Compliance Manual on an annual basis in the Annual Declaration process. (MIFIDPRU 19G.6.26-37)

¹ Note to Park Square: the requirements in 2.8 and 2.9 only apply to material risk takers, but you may decide to apply them to all staff.

3.6 Avoidance of the Remuneration Policy

The Firm does not reward any staff through any alternative vehicles or methods that could cause non-compliance with the Remuneration Policy. (MIFIDPRU 19G.6.38)

3.7 Remuneration Structures

The HR Manager co-ordinates the annual staff performance appraisal process. The appraisal framework involves an informal interim review during the summer period, followed by a full 360-degree review at the end of the financial year, being 31 December. Staff members are assessed on numerous criteria and bonuses are based on their overall performance.

4 Application of the requirements

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or applicable law on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

We have made no omissions on the grounds of data protection.

5 Disclosures

Park Square discloses information on its investment strategies (where applicable) in line with article 8 of the SFDR. Specifically, that its investment strategy supports the assessment of good governance practices within portfolio company investments, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.