BANQUE DE PATRIMOINES PRIVES
Wealth Management

Remuneration Policy

Validated by the Board of Director on 6th December 2017

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1. INTRODUCTION

Banque de Patrimoines Privés, S.A. (hereinafter, "**Banque de Patrimoines Privés**" or the "**Entity**") has developed its best practices in order to meet the requirements established by the Market in Financial Instrument Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014 (hereinafter “**MiFID II Directive**”).

In the preparation of this Remuneration Policy (hereinafter, the "**Policy**"), the following regulatory sources have been considered:

- MiFID II Directive.
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU (“**Delegated Regulation**”).
- Directive 2013/36/UE of the European Parliament and of the Council of 26 June 2013 (hereafter, “**CRD IV**”).
- Regulation EU 575/2013 of the European Parliament and of the Council of 26 June 2013 (hereinafter, “**CRR**”).
- Law of 5th April 1993, on the financial sector, as amended by Law 23rd July 2015 (hereinafter, “**FSL**”).
- European Securities and Markets Authorities Guidelines on remuneration policies and practices.
- Commission de Surveillance du Secteur Financier Circular 14/585 of 25th February 2014.
- European Banking Authority Guidelines on sound remuneration policies.
- Commission de Surveillance du Secteur Financier Circular 11/505 of 11th March 2011.
- Commission de Surveillance du Secteur Financier Circular 17/658 of 16th June 2016.

The above provisions are collectively referred to as the "**Applicable Regulations**".

The MiFID II Directive includes, as the main change, the obligation for the management bodies of entities providing investment services to define, approve and supervise the Remuneration Policy regarding staff involved in the provision of services to clients, in such a way that ensure that clients are treated fairly and that the interests of clients are not undermined by the remuneration practices implemented.

The CRD IV Directive elaborates on the prudential regulation of remuneration that began with Directive 2010/76/EU of 24 November 2010, developing the general principles to be followed by the remuneration policy of financial institutions and extending the implications are derived for the remuneration of the collective of risk, including for the first time limitations on the amounts received as variable remuneration.

2. POLICY OBJECTIVE

The aim of this Remuneration Policy is to provide Banque de Patrimonies Privés with a series of remunerative practices and internal procedures that guarantee the alignment between the interests of the employees, shareholders and clients, as well as ensuring an adequate prudent risk management, defining a remuneration system that is competitive in the market and compatible with the business strategy, objectives, values and interests of the Entity, its shareholders and its clients.

Considering the foregoing, and taking into consideration the applicable regulations, the objectives pursued by this Policy are as follows:

- Inform employees, shareholders and interested parties about the purpose and commitment of the Entity to align its remuneration policy with the regulatory framework of application in Luxembourg;

- Promote a strong environment of awareness and risk management as well as publish the principles on which the Entity's remuneration approach is built;

- Ensure that clients are treated fairly by the Entity's employees and that their interests are not undermined by the remuneration practices implemented within the Entity;

- Ensure that eventual inducements that may encourage the competent Entity's Staff to sell certain financial instruments that favor their own interests are not generated.

2.1 Definitions

Senior Management: every person responsible for the key functions of the Entity.

Commercial area: any person who forms part of the commercial network of offices, including among others commercial directors, managers and office managers.

Identified Collective: senior managers, employees who take risks, those who have control functions and any worker who receives a global remuneration analogous to the remuneration scale of the senior management and employees who take risks, whose professional activities have a significant impact on the Entity's risk profile.

Management Body: every person of the Senior Management that take part in periodic meetings for the decision making that directly affect to the Entity's different business areas.

Collective Agreement: union agreement of the Entity to establish salaries, work schedule and other working conditions, among others.

Competent Staff: every employee that may have a significant effect on the investment service provided or on the corporate conduct of the Entity, including those persons who have a direct relationship with the client and whose remuneration could imply inducements to act against the interests of the client.

3. SCOPE OF APPLICATION

3.1 Scope of Application under CRD IV

The principles set out in this section shall apply to senior managers, employees who take risks, those who exercise control functions and to any worker who receives a global remuneration analogous to the remuneration scale of the senior management and employees who take risks, whose professional activities have a significant impact on the Entity's risk profile. All of these employees identified above are defined as Identified Collective, as we have included in the definitions mentioned in section 2.2.

Taking this into consideration, it will be considered that a member of the staff of the Entity affects the profile of risk of the same when meets one of the qualitative criteria that are set out below:

- Is a member of the Board of Directors.
- Is a member of the Senior Management.
- Is responsible for and reports to the Board of Directors on independent risk management function activities, the MiFID Compliance Department, or the audit function.
- Directs an important business unit, understanding as such those that have an autonomous management of their business and represent at least 2% of internal capital.
- Has a management responsibility in an important business unit and reports directly to a senior management staff member.
- Has a responsibility role in legal affairs, finance, including taxation and budgeting, human resources, information technology or economic analysis.
- Has the power to decide on the approval or veto of the introduction of new products.

Additionally, it will be understood that a member of the Entity's staff affects the risk profile of the entity when it meets one of the quantitative criteria:

- The staff member has been awarded total remuneration of [•] or more in the preceding financial year;
- The staff member is within the 0.3 % of the number of staff, rounded up to the next integer, who have received the highest total remuneration during the previous year.

3.2 Scope of Application under MIFID Directive

The Identified Collective, as established in CRD IV, is different from that included in the definition of Competent Staff (defined above), which establishes ESMA.

In particular, such regulations will apply to the following areas and responsibilities:

i. Commercial area: commercial directors, office managers.
ii. Customer service Staff.
iii. Sales Staff (including sales agents who are hierarchically superior and who exercise control over staff as well as financial analysts).
iv. Staff involved in the design and development of financial products.
v. Tied Agents of the Entity.

Also, since other departments are also involved in the provision of investment services, although their involvement is less significant at the front-office level, Competent Staff will also be considered responsible for the following areas:

- Customer service: Staff involved in the management of complaints and the processing of complaints.
- Responsible for Legal Advice and Compliance.

3.3 Applicable Collective and Competent Staff Determination Process

The procedure for determining the Applicable Collective, included in the CRD IV regulations and the Competent Staff, as set out in the MiFID II regulation, shall be documented in writing by a list of the Entity Staff included in one or both collectives.

In addition, the number of persons included for the first time in the list, the responsibility for their position and their activities, as well as the department within the Entity where they exercise their functions must be identified.

4. GENERAL PRINCIPLES REMUNERATION POLICY APPLIED TO CRD IV AND MIFID II

The Remuneration Policy of the Entity that will be applicable to the Applicable Collective, according to CRD IV regulations and to the Competent Staff established by ESMA, will be governed by the following basic principles:

(i) the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the institution.

(ii) it will be in line with the business strategy, objectives, values and long-term interests of the institution, and incorporates measures to avoid conflicts of interest.

(iii) the institution's management body in its supervisory function adopts and periodically reviews the general principles of the remuneration policy and is responsible for overseeing its implementation.

(iv) the remuneration of the senior officers in the risk management and compliance functions is directly overseen by the Board of Directors.

(v) clear distinction between criteria for setting:
- basic fixed remuneration, which should primarily reflect relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment; and,
- variable remuneration which should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

(vi) The Entity shall consider, when designing and supervising its remuneration policies and practices, the risks of conflicts of interest and non-compliance with rules of conduct that may arise.

(vii) The Entity's remuneration policies and practices are designed in a way that does not create inducements for the persons subject to favor their own interests, the interests of the Entity, to the potential detriment of the client's interest.

(viii) In designing remuneration policies and practices, the Entity considers all relevant factors, such as the role of the person in question, the typology of products offered, and methods of distribution (e.g. advice vs. marketing, direct contact with the client vs. online banking), in order to prevent potential risks that could affect the client's interests and to ensure that the Entity adequately manages any minor risks.

(ix) The Entity must ensure that the ratio between fixed and variable remuneration is appropriate taking into consideration the client's interest (e.g. a high variable remuneration, based on quantitative criteria, can raise the focus of the person subject to short gains term rather than the client‘s interest).

(x) The Entity's remuneration policy must be flexible enough to allow the Entity, when deemed appropriate, to pay no variable remuneration.

(xi) The collective subject to the remuneration policy of the Entity must be clearly informed of the criteria that the Entity will use to determine its remuneration and the procedure for the evaluation of its performance. These criteria must be accessible, comprehensible and registered.

(xii) The Entity should avoid creating overly complex remuneration schemes that may lead to inconsistent approaches and hinder adequate knowledge and control of the Policy within the Entity.

(xiii) The Entity shall ensure that the organizational measures adopted for the launch of new products or services consider, in an appropriate manner, the criteria of this Policy and the risks that such new products or services may imply for its proper application. In particular, prior to the launch of a new product, the Entity must evaluate, and appropriately document, whether the remuneration associated with the distribution of that product complies with the principles of this Policy and, therefore, does not imply a risk of default.

5. ELEMETS OF THE REMUNERATION POLICY

5.1 Fixed elements of remuneration

This section includes each element of the fixed remuneration, applicable to the Identified Collective, included in the CRD IV regulation, and to the Competent Staff established by ESMA.

The fixed remuneration constitutes the basic element of the remuneration policy of the Entity. This concept is linked to the characteristics of the positions held, such as the organizational relevance of the staff, the impact on the results of the Entity and the scope of responsibility assumed by the staff, among others.

In the employee remuneration package, the fixed salary component constitutes and will constitute a sufficiently high part of the total remuneration, thus allowing the maximum flexibility with respect to the variable components, as required by the applicable regulations.

When establishing the fixed component of the remuneration, the following factors will be taken into consideration:

- The level of responsibility for the functions exercised by the Applicable Collective and the Competent Staff.
- The minimum wage established in the Collective Agreement that applies.
- The different complements for individual performance.

The fixed remuneration of the staff of the Entity will be composed of the base salary, which remunerates the employees for their skills, experience and responsibility, taking into consideration the level of scope of their position. The appropriate level of base salary for each position is determined in accordance with market practices and the regulatory requirements for the remuneration structure.

The base salary shall be reviewed annually and generally at the end of each fiscal year. This review shall take into consideration the employee's total remuneration.

Furthermore, as part of the fixed remuneration, and in addition to the base salary, other remuneration elements that will not be part of this base salary, such as vehicle or family benefits, may be agreed, always taking into consideration regional or local market practices.

5.2 Variable elements remuneration

Variable remuneration means payments or benefits based on results or other quantitative or qualitative objectives established by the Entity.

Such variable remuneration will not be in any case consolidated, so that their perception in a given year will not imply the acquisition by that person of any salary right in this respect, not being considered as replicable in the following years automatically.

5.2.1 Variable Remuneration elements apply to the Identified Collective under CRD IV

In accordance with the applicable regulations, in order to fix the variable components to the members of the Identified Collective, taking into consideration the CRD IV regulations, the Entity will consider the following criteria:

1. Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the institution and when assessing individual performance, financial and non-financial criteria are taken into consideration.

2. The assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the credit institution and its business risks.

3. The total variable remuneration does not limit the ability of the institution to strengthen its capital base.

4. Guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and shall not be a part of prospective remuneration plans. It is exceptional, occurs only when hiring new staff and where the institution has a sound and strong capital base and is limited to the first year of employment.

5. Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component, as is the case of the Entity.

6. Institutions shall set the appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:

   - The variable component will not exceed 100% of the fixed component of the total remuneration of each individual.
   - However, the Board of Directors of the Entity may approve a level higher than that provided in the previous point, provided that it does not exceed 200% of the fixed component.

7. Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.

8. Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the institution including retention, deferral, performance and clawback arrangements.

9. The allocation of the variable remuneration components within the institution shall also take into consideration all types of current and future risks.

10. The pension policy will be compatible with the entity's long-term business strategy, objectives, values and interests.

11. Personal hedging strategies or insurance related to the remuneration and liability that impair the effects of alignment with the sound management of the risks that foster their remuneration systems cannot be used.

12. Variable remuneration shall not be paid by means of instruments or methods that facilitate non-compliance with the rules of management and discipline.

13. The variable remuneration already paid, whether paid in cash or through instruments, deferred or not, will be partially or fully recovered by the Entity when, during the 3 years immediately following its payment, it becomes clear that the collection and therefore the non-application of the adjustment mechanisms, has been produced wholly or partly on the basis of information whose falsity or serious inaccuracy is demonstrated, a posteriori, manifestly, or arise risks assumed during the conditioned period, or other circumstances not foreseen or assumed by the Entity that have a material adverse effect on the income accounts of any of the years in which it is applicable.

5.2.2 Exemptions applicable to the Entity

In accordance with the Circulars of the *Commission de Surveillance du Secteur Financier* (hereinafter, “**CSSF**”) 17/658 and 11/505, and due to the principle of proportionality applicable to those entities whose balance sheet total does not exceed 5 billion euros and whose overall capital requirements does not exceed 125 million euros (base 100%) or 1,562.5 million euros (base 8%), the Entity is exempted from the compliance with the following requirements:

- The balance between cash and shares or equivalent ownership interests, regarding variable remuneration and their retention policy as stated in letter l) of articles 94.1) of CRD IV and 38-6 of FSL.
- The deferral of the variable remuneration component detailed in letter m) of articles 94.1) of CRD IV and 38-6 of FSL.
- The *ex post* adjustment of variable remuneration according to the financial situation of the entity described in letter n) of articles 94.1) of CRD IV and 38-6 of FSL.

However, according with the letter f) of the Circular CSSF 17/658, the exemption established in the Circular CSSF 11/505, is applicable as long as new European regulations do not state otherwise.

5.2.3 Variable Remuneration elements aply to Competent Staff under MiFID II

Regarding to MiFID II, companies that provide investment services to their clients will ensure that they do not remunerate or assess the performance of their Staff in a way that conflicts with their obligation to act in the best interest of its clients. In particular, they shall not establish any system of remuneration, sales or other objectives that may provide an incentive for staff to recommend a particular financial instrument to a retail client if the investment services company may offer a different financial instrument best adjusted to the needs of the client.

At all times, there must be a balance between the fixed and variable components of remuneration, so that the structure of remuneration does not favor the interests of the investment services company or the relevant persons within it to the detriment of the interests of the clients.

When assessing performance in order to determine variable remuneration, the Entity should not only take into consideration sales volumes, since this option could occur in the emergence of conflicts of interest, which could ultimately result in detriment of the client.

In addition, when determining variable remuneration, the Entity must take into consideration qualitative criteria that encourage Competent Staff to act in the interests of the client, such as compliance with regulatory requirements (in particular, conduct rules, and in particular, for example, the review of the suitability of the instruments sold by the Competent Staff to the clients), in addition to compliance with internal procedures, fair treatment of clients and their level of satisfaction.

In this sense, the Competent Staff must be clearly informed, from the outset, of the criteria that the Entity will use to determine the amount of its remuneration, as well as the steps and the deadlines in the reviews of its performance.

6. POLICY COMPLIANCE

6.1. Disclosure of information regarding the Policy

The Entity will disclose the following information regarding this Policy within an Annual Report on Remunerations. This disclosure will be performed in a manner that is appropriate to the Entity's size, internal organization and the nature, scope and complexity of the Entity's activities.

(a) Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;

(b) Information on link between pay and performance;

(c) The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;

(d) The ratios between fixed and variable remuneration;

(e) Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;

(f) The main parameters and rationale for any variable component scheme and any other non-cash benefits;

(g) Aggregate quantitative information on remuneration, broken down by business area;

(h) Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:

> (i) The amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;
>
> (ii) The amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;
>
> (iii) The amounts of outstanding deferred remuneration, split into vested and unvested portions;
>
> (iv) The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;
>
> (v) New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments;
>
> (vi) The amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;

(i) the number of individuals being remunerated 1 million euros or more per financial year, for remuneration between 1 million euros and 5 million euros broken down into pay bands of 500,000 euros and for remuneration of 5 million euros and above broken down into pay bands of 1 million euros;

6.2. Policy review and assessment

This Policy has been prepared by the Entity's Compliance Department after the approval by the Entity's Board of Directors.

Periodically, the Compliance Function will review:

- The adequacy of the content of this Policy to the normative requirements, especially if new European regulations repealing the exemptions in CSSF Circulars developed in Section 5.2.2 have been issued.
- The effectiveness of the measures taken in the framework of remuneration management.

In addition, this Policy will be subject at least annually to an independent assessment, which may be either internal (e.g. Internal Audit) or external (e.g. External Expert Report) to verify compliance with the remuneration guidelines and procedures adopted by the management body.

6.3 Policy Compliance and control

The Entity's Compliance Department monitors compliance with the Policy and reports any breaches detected to the Entity's Board of Directors.

Compliance with this Policy is the responsibility of all employees that fall within the scope of this Policy.

The Compliance Department will carry out the periodic checks that correspond. In this way, an internal control evaluation will be carried out, reviewing the processes and controls verifying the existence of defined, implemented and effective controls. Such controls should include assessing the quality of services provided to clients (e.g. monitoring commercial communications by telephone, samples of advised or managed clients, profiling of suitability and / or appropriateness).

When damage to a client arising from any specific circumstance of the Entity's remuneration Policy may arise, appropriate measures should be taken to manage the potential conflict of interest by reviewing that specific circumstance and establishing control mechanisms and reporting.

The Entity shall ensure that it maintains at all times appropriate internal and transparent communication lines for the communication of events that may lead to non-compliance with the previously stated rules on which this Policy is based.

Likewise, this Policy will have the constant support of the Board of Directors, the Compliance Department and the Internal Audit area, so that appropriate measures can be taken to ensure that the persons subject to this Agreement effectively comply with this Policy.

The Compliance Department will report in its Annual Report the results obtained in the analysis of compliance to the Board of Directors of the Entity.

This Policy is effective and enforceable to the entire organization of the Entity. The Compliance Department is available for the staff to resolve and clarify any issues that are subject to this Policy.