

MIFIDPRU Disclosures (31st Dec 2022)

BNP PARIBAS REAL ESTATE INVESTMENT MANAGEMENT (UK) LIMITED

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1. OVERVIEW

1.1 Purpose

This document sets out the mandatory MIFIDPRU Chapter 8 disclosures for BNP Paribas Real Estate Investment Management (UK) Limited, hereafter referred to as "REIM UK".

REIM UK is authorised and regulated by the Financial Conduct Authority. The company is registered in the UK under number 02137198. UK registered office address: 5 Aldermanbury Square, London, EC2V 7BP.

1.2 Background

The Investment Firm Prudential Regime (IFPR) came into effect on 1 January 2022. The IFPR aims to streamline and simplify the prudential requirements for MiFID investment firms that the FCA prudentially regulates in the UK. This new set of rules refocuses prudential requirements and expectations away from the risks firms face, to also consider and look to manage the potential harm firms can pose to consumers and markets.

REIM UK is authorised and prudentially regulated by the FCA. It is categorised under the rules as a £75,000 small non-interconnected (SNI) MIFID investment firm. As a result, the firm is subject to mandatory disclosures under MIFIDPRU Chapter 8. These disclosures cover risk management objectives and policies, own funds, own funds requirements and remuneration policies and practices.

1.3 Basis of Preparation

The disclosures are prepared on an individual solo basis. The firm is not part of UK consolidated investment group for the purpose of IFPR. The reporting period is aligned to the financial year of the company, with the year ending on December 31 2022.

1.4 Frequency of Disclosure

The disclosures of REIM UK are prepared annually or more frequently if the business were to undergo significant changes in business model. .

2. BUSINESS OVERVIEW

2.1 BNP Paribas Group

With its integrated and diversified model, BNP Paribas is leader in banking and financial services in Europe. The Group leverages on strong customer franchises and business lines with strong positions in Europe and favourable positions internationally, strategically aligned to better serve customers and long-term partners.

It operates in 65 countries and has almost 190,000 employees, including nearly 145,000 in Europe. The Group's activities are diversified and integrated within a distinctive model combining commercial banking activities in Europe and abroad, specialised services (consumer credit, mobility and leasing services, and new digital business lines), insurance, private banking and asset management, and banking for large institutional companies.

2.2 BNP Paribas Real Estate Investment Management (UK) Limited

BNP Paribas Real Estate Investment Management (UK) Limited, is a subsidiary of BNP Paribas Real Estate Advisory and Property Management, which is part of the BNP Paribas Group and operates within the International Financial Services division. BNP Paribas Group owns 100% of shares of REIM UK.

REIM UK was established in 2002 in response to clients' requests to provide investment advice in relation to indirect real estate investments. These clients were unable to get exposure to specific real estate asset classes because their investment capacity was limited, and we provided advice on investing in real estate collective investment schemes.

3. RISK MANAGEMENT OBJECTIVES & POLICIES

This section discloses the risk management objectives and policies for the categories of risks addressed by MIFIDPRU 4 (Own Funds Requirements), MIFIDPRU 5 (Concentration Risk) and MIFIDPRU 6 (Liquidity).

REIM UK operates within BNP Paribas Group's Risk Management Framework. REIM UK adheres to the applicable policy and guidance, and overall approach to managing exposure to internal and external risks.

REIM UK's management is responsible for ensuring risks are effectively managed within a robust control environment and is aligned to BNP Paribas Group's risk profile/appetite. BNP Paribas Real Estate UK provides through its Operational Permanent Control (OPC) function, risk management services to REIM UK.

Due to the nature of its business, the harms of REIM UK's activities on stakeholders are second-order effects limited to non-performance. The failure of REIM UK's to deliver its investment services to clients would have a subsequent impact on the ability of clients to provide the desired level of investment returns to their end customers. Similarly, REIM UK not generating post-tax profit would impact BNP Paribas Group shareholders and REIM UK employees.

The REIM UK risk framework already captures all risks, whether that be to customers or markets or to the firm. The firm's risk appetite framework is actionable and measurable and considers material risks to which REIM UK is exposed including emerging ones, as well as REIM UK's reputation vis-à-vis clients and counterparties and markets.

3.1 Own Funds Requirements

Operational Risk

REIM UK defines Operational Risk as the risk resulting from the inadequacy or failure of internal processes, or from external events, that resulted, could result or could have resulted in a loss, a gain or an opportunity cost. REIM UK management is responsible for managing operational risk and controls and for promoting and overseeing high standards of conduct.

Risk Management Strategy & Processes

Table 1 below provides a sample of the strategies and processes used to address the operational risks faced by REIM UK.

Table 1 Sample of Operational Risks Mitigants

Process	Controls & Mitigation
Organisation of the Company	Succession planning, extended notice periods and restrictive covenants with annual review of compensation Implementing and monitoring shared responsibility within the organisation with delegation of authority specific controls

	Continuous monitoring, daily back up tapes secured off site, annual data restoration exercises. Industry-leading security systems in use
Legal, Tax & Regulation	Detection process for regulatory changes, communication and training process to all employees Finance-specific processes Assurance of integration of legal department in all relevant legal affairs Adherence to regulatory guidelines for archiving
Business Continuity Planning	BCP monitoring and tested for accuracy on a regular level Business impact analyses conducted semi annually with parent company
Investment, Disposal and Asset Management Process	Procedures surrounding the identification and analysis of investment opportunities, governed by internal committees and deal pipeline Due diligence processes, compliance checks and legal controls

Credit Risk

The exposure to loss arising from a counterparty's failure to meet its contractual obligations, because of either business failure or intentional withholding of amounts due. REIM UK's primary exposure is primarily the risk of failing to receive/collect fee payments due. The Own Funds requirement allocation are deemed adequate for the scale of the credit risk the firm faces.

Risk Management Strategy & Processes

The risk management process is comprehensive and starts with robust finance processes and controls related to bad debt management and completed by liquidity management governed by the ICARA process and additional processes related to business-specific counterparty exposure.

Business Risk

This type of risks relates to operating losses and or decline in revenue due to changes in the economic environment, also potentially coupled with cost inefficiencies. In other words, it can be defined as the risk that volumes may decline or margins

may shrink, with no or limited opportunity to offset the revenue decline with a reduction in costs.

The inclusion of Business Risk follows on from REIM UK's further alignment to the Risk Management Framework, which has identified this type of risk through its Risk & Control Self-Assessment. In addition, REIM UK focuses on ensuring revenues continue to support its cost base and future plans.

Risk Management Strategy & Processes

This risk is relevant to our investment, disposal and asset management processes. Mitigants include procedures surrounding the identification and analysis of investment opportunities, governed by internal committees and deal pipeline as well as due diligence processes, compliance checks and legal controls

Market Risk

Market Risk is the risk from a change in key market rates, or prices impacting on the earnings or balance sheet capital. REIM UK can be impacted from both long term market movements and short term changes.

Risk Management Strategy & Processes

The processes and controls to manage market risks are based on the continuous review of asset management strategies and pricing models.

Group Risk

Group risk is defined as the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group. The Company is linked to the financial position and reputational exposure of its Group over which the Company has no influence in the normal course of business.

Group Risk primarily manifests itself as part of the scenarios that might result in REIM UK's business model becoming unviable. In relation to Group Risk, this would be if the BNPP Group was to enter into Resolution and the Group Board or SRB (in conjunction with other group resolution authorities (i.e. BoE)) trigger the wind down of REIM UK.

Risk Management Strategy & Processes

REIM UK's Risk Management Framework and ICARA processes are used as a basis for identifying potential events or circumstances, which could lead to wind down.

If the Group is in resolution at this point, the effect of the bail-in will be that resources are pooled and applied where required in an orderly fashion in line with existing commitments. Where

REIM UK voluntarily determines it wishes to close out its business then it would simply be entitled to continue to benefit from the outsourced arrangements under the SLAs on a reducing basis whilst commencing an orderly off-board of clients to alternative providers.

3.2 Concentration Risk

As a SNI firm not dealing on own account, REIM UK is only subject to the concentration risk monitoring obligation under MIFIDPRU 5.2 whereby a firm must monitor and control its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms.

Risk Management Strategy & Processes

Concentration risk management is managed via the Finance function and credit risk management processes and controls.

3.3 Liquidity

REIM UK is required to meet the Liquidity Asset Threshold Requirement (LATR) of MIFIDPRU Chapter 6 and MIFIDPRU Chapters 7.5 and 7.7. The liquid assets threshold requirement requires firms to meet the overall financial adequacy rule (OFAR), which requires firms to hold sufficient resources both own funds and liquid assets, which make sure that:

- it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Risk Management Strategy & Processes

BNPP REIM UK's Board delegates responsibility for the application of the liquidity policy to the CFO. In this respect, REIM UK inherited the liquidity management framework and processes from the BNP Paribas Group. Finance is responsible for the management of liquidity and escalating liquidity risk issues and measures to the Board (where required outside of the monthly liquidity monitoring process). Finance produces monthly management packs which are discussed by the Board. This is supplemented by a Board liquidity trigger whereby absolute movements in liquid assets of 10% and above would be promptly escalated to the Board.

4. OWN FUND REQUIREMENTS

4.1 Overall Financial Adequacy Rule

Under MIFIDPRU, REIM UK is required to undertake an assessment of its Own Funds Requirement in order to comply

with the Overall Financial Adequacy Rule (OFAR). The OFAR requires REIM UK to hold adequate own funds and liquidity to ensure that:

(a) it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and

(b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

To ensure compliance with the Overall Financial Adequacy Rule (OFAR), REIM UK assesses its own fund requirements under the Own Funds Threshold Requirements and ICARA process frameworks across the economic cycle. Risk and Finance stress test the Own Funds Requirement yearly under normal and stressed scenarios over a three-year time horizon.

4.2 ICARA

REIM UK's assessment of the adequacy of its own funds in accordance with the OFAR is governed by the Internal Capital & Risk Assessment (ICARA) process.

The ICARA is owned by the REIM UK Board, which delegates responsibility for its update to the ICARA Working Group. The Working Group comprises REIM UK COO, Operational Risk and Finance functions with oversight, steer and challenge provided by Prudential and Risk specialists from BNP Paribas London Branch.

The related ICARA document is updated and formally reviewed by the Board annually as well as on an ongoing basis if significant changes of the business model occur.

4.3 Own Funds Requirement

The Own Funds Requirement (OFR) is the regulatory required minimum capital requirement as per the MIFIDPRU requirements. A small non-interconnected (SNI) firm must maintain an OFR as the higher of:

- its Permanent Minimum Capital Requirement (PMCR)
- its Fixed Overheads Requirement (FOR)

Permanent Minimum Capital Requirement

The PMCR is the regulator prescribed minimum capital required for REIM UK to undertake its business given its regulatory permissions. REIM UK is categorised as a MIFIDPRU £75k 'SNI' firm, which makes its permanent minimum capital requirement at least £75,000 without the use of transitional provisions.

Fixed Overhead Requirement

The Fixed Overhead Requirement (FOR) of a MIFIDPRU investment firm is an amount equal to one quarter of the firm's relevant expenditure during the preceding year. Figure 1 below shows REIM UK's FOR.

Figure 1 Fixed overhead requirements

	£
Fixed Overhead Requirement	33,223

K-Factor

As a SNI firm, REIM UK is not subject to K-Factors.

5. OWN FUNDS

Composition of regulatory own funds		31 December 2022	Reconciliation reference
in GBP thousands			
1	Own Funds	106	1, 2
2	Tier 1 Capital	106	1, 2
3	Common Equity Tier 1 Capital	106	1, 2
4	Fully paid up capital instruments	90	1
5	Share premium	-	
6	Retained earnings	16	2
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	

10	Other funds	-
11	Total deductions from Common Equity Tier 1	-
12	Losses for the current year	-
13	Intangibles assets	-
14	Deferred tax assets that rely on future profitability	-
15	Value of defined benefit pension fund assets	-
16	Direct, indirect and synthetic holdings by the firm of common equity tier 1 instruments	-
17	Article 56 (UK CRR) deductions from additional tier 1	-
18	Relevant tax charge relating to common equity tier 1 items	-
19	CET1: Other capital elements, deductions and adjustments	-
20	Additional Tier 1 Capital	-
21	Fully paid up, directly issued capital instruments	-
22	Share premium	-
23	Total deductions from Additional Tier 1 Capital	-
24	Additional Tier 1: Other capital elements, deductions and adjustments	-
25	Tier 2 Capital	-
26	Fully paid up, directly issued capital instruments	-
27	Share premium	-
28	Total deductions from Tier 2	-
29	Tier 2: Other capital elements, deductions and adjustments	-

Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements		a	b	c
		Balance sheet (audited)	Under regulatory scope of consolidation	Cross-Reference to Own Fund Composition
in GBP thousands				
Assets				
1	Trade and other receivables	247		
2	Cash and cash equivalents	52		
3	Total Assets	299		
Liabilities				
1	Creditors: amounts falling due within one year	193		
2	Total Liabilities	193		
Shareholder's Equity				
1	Share capital	90		4
2	Profit and loss account	16		6
3	Total Shareholder's Equity	106		

Own Funds: main features of own fund instruments issued by REIM UK	
Placement Type	Private
Instrument Type	Ordinary Share
Amount recognised in regulatory capital	£90,000
Nominal Amount	£90,000
Issuer	BNP Paribas Real Estate Investment Management (UK) Limited
Governing law(s) of the instrument	England and Wales
Maturity Date	Not applicable
Redemption Price	Not applicable
Accounting classification	Called up Share Capital
Original date of issuance	£30,000 – 20 th December 2021
	£50,000 – 30 th November 2005
	£10,000 – 14 th August 1987
Perpetual or Dated	Perpetual
Issue Price	£1 per share
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amounts	Not applicable
Subsequent call dates	Not applicable
Coupons/dividends	Dividends
Fixed or floating dividend/coupon	Variable
Coupon rate and any related index	Not applicable
Convertible or non-convertible	Non-convertible
Write-down features	Not applicable

6. REMUNERATION POLICIES AND PRACTICES

Staff are employed by BNP Paribas Real Estate Advisory & Property Management UK Limited (the parent company of REIM UK) and supplied to REIM UK pursuant to an SLA between the two entities. REIM UK's management is responsible for determining the remuneration structure for its staff in line with BNP Paribas Group remuneration's framework and specifically the BNPP REIM Global Remuneration Policy.

Remuneration Policy

The objectives for financial incentives are set in accordance with BNP Paribas Group's remuneration policy and the specificities included in BNPP REIM Global Remuneration Policy. The objectives are to prevent promoting risk taking which exceeds the level of risk tolerated by either BNP Paribas Group or REIM UK as well as to prevent conflicts of interest and unfair treatment (particularly for gender equality). The financial incentive objectives are to reward competence, experience, qualification level and the level of involvement in assigned tasks.

The decision making procedure for remuneration is determined by the BNP Paribas Group in accordance with the group policies and the specificities included in BNPP REIM Global Remuneration Policy.

There is a Global Remuneration Committee of BNPP REIM which covers all employees of BNPP REIM UK. After REIM UK's management proposals, the global Remuneration committee will give their final approval. This committee is composed of 2 independents (one is the president of the committee) and the CEO of Real Estate.

The Global Remuneration Committee ensures that a formal review of BNPP REIM's remuneration policies & practice is carried out independently and centrally. The Global Remuneration Committee meets at least 3 times per year, and so ensures that a formal review of BNPP REIM's remuneration policies & practice is carried out independently and centrally.

No external consultants are engaged by REIM UK to develop the remuneration practices and policies.

Key compensation elements applicable to REIM UK Material Risk Takers (MRT)

REIM UK have identified the risk takers in the business and regulates the variable remuneration for these risk takers. Please see section 3 for the risk profile of REIM UK.

The incentives will depend on (1) the role of the staff and (2) the impact they may have on the risk profile of the group, REIM UK, or the investment company.

The incentives are in principle comprised of fixed remuneration and variable remuneration. The variable remuneration is comprised of deferred remuneration and non-deferred remuneration. The variable portion can take the form of cash or instruments (including cash indexed on financial instruments) or a long-term incentive award either at BNP Paribas Real Estate level or BNP Paribas Group level.

A **Fixed compensation** is intended to reward competence, experience, qualification level, as well as the level of involvement in assigned tasks. It is composed of a fixed base salary, which rewards the skills and responsibilities corresponding to the position held, and where appropriate fixed pay supplements linked to specific jobs (specialty or function Special Allowance).

An **individual variable compensation** which remunerates in particular quantitative achievements and qualitative achievements that are measured on the basis of sustainable observed performance and individual assessments relative to fixed objectives

Performance measures

The performance criteria used to assess the performance of the firm, business unit and the individuals is in accordance with the BNP Paribas Group remuneration policy. A summary of the financial and non-financial performance criteria is as follows:

Firm and business unit:

- participation of the business line compared with expectation and competitors (financial);
- market conditions and benchmark (financial);
- portfolio's risk level (financial and non-financial);

Individuals:

- assessment of qualitative achievements in relation to fixed objectives (financial and non-financial)
- Indicators on quality of service and client satisfaction (non-financial);
- Potential client claims and implementation of corrective measures (non-financial);
- Observations and recommendations from periodic control, regulators, group human resources, group compliance (non-financial);

Quantitative information on remuneration awarded to all staff for the 2022 performance year

Staff for REIM UK also carry out work for its unregulated affiliate BNP Paribas Real Estate Investment Management Limited. To arrive at the figures below for REIM UK, we have taken the total remuneration for the staff working for both entities and apportioned these sums in accordance with the Group's recharge mechanism. The figures below represent the staff remuneration attributable to REIM UK.

Remuneration awarded to all staff for the 2022 performance year (In GBP thousands)	
Fixed remuneration	111.3
Variable remuneration	26.8

7. GLOSSARY

BCP	Business continuity process
BNPP	BNP Paribas
BNPP SA	BNP Paribas Société Anonyme
CFO	Chief Financial Officer
COO	Chief Operating Officer
FOR	Fixed overhead requirement
FX	Foreign currencies
ICARA	Internal capital and risk assessment
IFPR	UK Investment Firm Prudential Regime
LATR	Liquid asset threshold requirement
MIFIDPRU	Prudential Sourcebook for MiFID Investment Firms
MRT	Material Risk Takers
SNI	Small and non-interconnected
OFAR	Overall Financial Adequacy Rule
OFR	Own Funds Requirement
OPC	Operational Risk Permanent Control
RCSA	Risk Control Self Assessments
RISK	BNPP's Risk Function
SLA	Service level agreement
SNI	Small non-interconnected
SRB	Single Resolution Board
SYSC	Senior Management Arrangements, Systems and Controls section of the FCA Handbook