

REMUNERATION POLICY



REMUNERATION POLICY

Resonance Impact Investment Limited

Rev. June 2025

INTRODUCTION

Part 1 of this policy is Resonance's Pay Philosophy for staff.

Part 2 of this policy covers the FCA MIFIDPRU regulatory requirements.

Part 3 of this policy covers the FCA AIFM Remuneration Code Requirements.

Daniel Brewer
Chief Executive Officer
June 2025

Parts 1 and 2 originally approved by the RIIL Board in February 2023

Part 3 approved by the RIIL Board in June 2025

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PART 1 – OUR PAY PHILOSOPHY

‘Our pay policy reflects our broader values and approach. We believe that your salary should reflect your contribution to the organisation regardless of your background (see our diversity policy for more details). We prefer a simple salary structure and have deliberately avoided introducing a ‘bonus’ system and are committed to a pay structure that is fair, equitable and sustainable.

At the beginning of every year and as part of the annual forecast process, the Directors will set an overall budget for salary increases for the next financial year. This will take into consideration the level of inflation (cost of living increase), the performance of Resonance during the current year and a view of its future performance. Expressed as a percentage, this is referred to as the ‘core salary increase’.

Pay Reviews will take place during February and March for every member of staff. These reviews will consider ‘core’ job performance, the level of stretch that the role requires, extra activity going beyond the core role and attitudes and behaviours. Line managers will play a significant part in this process, so it is important that the three Development Reviews undertaken throughout the year are completed in a timely manner and provide enough detail to facilitate the annual Pay Review carried out by the Executive Directors. Pay awards will be around the core salary increase for staff who have performed well during the past year and this is expected to be most people. For those who have delivered over and above their core role and responsibilities, higher pay awards may be made. For staff who have not met the expected level of performance and behaviour, below core salary increase or zero pay awards will be made. All pay awards will be communicated in April and be effective from 1st April.

It should be noted that for those awarded a ‘core salary’ increase, but who have either joined during the year or received a pay increase within year due to change of responsibilities, the core salary increase will be pro-rated for the part of the year remaining since that increase.

What to do if you want to discuss your pay?

If you have an ambition for promotion/progression, speak to your line manager and ensure that this is built into your objectives and discussed during at least one of the three Development Reviews during the year. This will enable any training needs to be considered.

If you want to appeal a pay award, you should again speak to your line manager who will then refer this to the Executive Directors. If you are still not satisfied with the explanation, you will be able to put your case in writing to the People & Culture sub-group.

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PART 2 - FCA MIFIDPRU REGULATORY REQUIREMENTS

INTRODUCTION – REGULATORY

Resonance Impact Investment Limited ('RIIL') is a MIFIDPRU investment firm and a UK Alternative Investment Fund Manager ('AIFM'). This policy covers the requirements of the MIFIDPRU Remuneration Code and the Investment Firm Prudential Regime MIFIDPRU requirements that are relevant to RIIL as a Small and Non-Interconnected ('SNI') firm. The Resonance Group has been granted the Group Capital Test exemption and therefore provides this policy on an individual firm basis for RIIL only.

This policy should be approved by the RIIL Board and disclosed on the website.

RIIL is a UK AIFM and therefore subject to the AIFM Remuneration Code as well as the MIFIDPRU Remuneration Code. We note that the FCA considers it good practice for a firm to assess whether going beyond those regulatory requirements would contribute to sound risk management or a healthy firm culture.

This policy includes the required qualitative disclosures. The MIFIDPRU quantitative disclosure of total remuneration to all staff is included in RIIL's audited financial statements from 2021-22. All such remuneration is fixed remuneration only.

SUMMARY QUALITATIVE DISCLOSURE *(as disclosed in audited financial statements)*

'RIIL's Remuneration Policy complies with the Remuneration Code in relation to its size, nature, scope and complexity of its activities. The policy is aligned to the business strategy, values and long-term interests in respect of performance and effective risk management in line with the firm's risk appetite. Staff and directors are employed by Resonance Limited and then SMCR staff charged on to RIIL as part of the administration recharges.

Remuneration for all staff is by way of a fixed salary with no variable remuneration element. RIIL does not include financial incentives as part of remuneration. The decision not to offer variable remuneration is made by the Board. There is no remuneration committee and no remuneration consultants are used. Staff are assessed through periodic personal development reviews.'

Although we are not required to have a remuneration committee, the Board's 'People and Culture' sub-group reviews remuneration and nominations for all director roles, both executive and non-executive. It also reviews the salary of the Head of Compliance & Risk. The highest paid roles are reviewed annually against peers in the market and adjusted for complexity, scale and regionality as well as Resonance's 9 day fortnight. This then sets the top end of a banding structure that the rest of the roles fit within. Staff are assessed against criteria linked to each banding through periodic personal development reviews.

REMUNERATION POLICIES AND PRACTICES

RIIL is required to disclose the key characteristics of its remuneration policies and practices in sufficient detail to provide the reader with:

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- (1) an understanding of the risk profile of the firm and/or the assets it manages; and
- (2) an overview of the incentives created by the remuneration policies and practices.

The above disclosure requirement is largely covered by the Summary Qualitative Disclosure above and the 'Pay Philosophy' at the start of this document. In addition, the following paragraph gives an understanding of the risk profile.

The funds that RIIL manages are all social impact funds. The funds are typically considered higher risk because of the illiquidity of the assets and longer term fund duration but there are no derivatives nor short selling. The strategies are long-only UK residential property, community assets and social enterprise growth and most investments are held for the duration of the fund. The funds are typically closed-ended once they have reached the end of the investment period, with some open-ended fund structures now being implemented where ongoing investment and more flexibility for investor entry/exit may be beneficial for delivery of the strategy. The risk profile and long-term future of the firm is aligned with the funds, investors and clients.

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PART 3 – FCA AIFM REMUNERATION CODE REQUIREMENTS

It is helpful first to set out the following key points in relation to our business model.

- Resonance Limited and RIIL (the AIFM) do not pay bonuses.
- Nor are there any discretionary pension payments. Everyone is entitled to the statutory minimum of 3% employer contribution to match their 5% personal contribution. The employer contribution will be increased to 4% to match personal contributions of 6% or more.
- There is a carried interest on 5 of the 7 property funds but none on the other funds. This is payable to Resonance Limited (i.e. not to individual staff members) and is 5% on WISH and 2.5% on RLPF1, NHPF1, RLPF2 and REIF.
- Daniel Brewer, CEO and founder, owns 36.2% of Resonance Limited; Simon Chisholm, CIO, owns 8.8%; and the Employee Benefit Trusts owns 8.8%. All staff except Daniel and Simon (over 60 people) are potential beneficiaries of this trust and, whilst a positive benefit, each staff member is sufficiently diluted that this cannot be considered a conflict.
- Since October 2024, Daniel Brewer, Simon Chisholm and the Employee Benefit Trust own growth shares in Resonance Limited for which rights only crystallise after both a minimum period of 5 years and RIIL's Funds Under Management passing £500m.
- RIIL is a SNI (small and non-interconnected) MIFIDPRU investment firm and therefore not subject to rules applicable to a non-SNI MIFIDPRU investment firm such as the application of remuneration requirements to material risk takers.
- Whilst there is no bonus culture to incentive RIIL staff, there is a shared culture motivated to win investors into the funds and look after their investments well. Here we consider that our interests are aligned with investors but we remain alert to potential conflicts of interest. It is also important to us that investors in maturing funds exit well and that ability is part of a fund's success and our performance.
- The size of RIIL's funds under management is a function of:
 - market value – where potential conflicts are addressed by the Valuation Policy;
 - winning new investors – which is impacted by economic factors such as interest rates as well as internal factors such a strategy, human resources and product strategy;
 - maturing funds repaying to investors. Any potential conflicts of interest are controlled by the Conflicts Policy and the fund Advisory Committees.

The AIFM Remuneration Code applies to a full-scope UK AIFM of a UK AIF i.e. our funds.

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FCA rules define remuneration as any form of remuneration, including salaries, discretionary pension benefits and benefits of any kind. It includes all forms of payments of financial or non-financial benefits provided directly or indirectly by a firm to relevant persons in the provision of one or more of designated investment business, ancillary activities and ancillary services to clients.

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REMUNERATION POLICIES AND PRACTICES

An AIFM must establish, implement and maintain remuneration policies and practices for AIFM Remuneration Code staff that are consistent with, and promote, sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile of the instrument constituting the fund of the AIFs it manages.

'AIFM Remuneration Code staff' comprise those categories of staff whose professional activities have a material impact on the risk profiles of the AIFMs (RIIL) or of the AIFs (funds) the AIFM manages. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

- (1) When establishing and applying the total remuneration policies for AIFM Remuneration Code staff (inclusive of salaries and discretionary pension benefits), an AIFM must comply with the AIFM remuneration principles in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.
- (2) Paragraph (1) does not apply to the requirement for significant AIFMs [not defined but clearly not an AIFM that has just passed the threshold] to have a remuneration committee (■ SYSC 19B.1.9 R).
- (3) The AIFM remuneration principles apply to remuneration of any type paid by the AIFM, to any amount paid directly by the AIF itself, including carried interest, and to any transfer of units or shares of the AIF made to the benefits of AIFM Remuneration Code staff.

There is no definition of risk takers. 'Material risk taker' is defined and it is not applicable to us because we are only a SNI MiFIDPRU investment firm. We can consider our AIFM Remuneration Code staff as those set out below.

Band 9 – CEO & CIO

Band 8 – rest of Resonance Leadership Team

Band 7 – Head of fund areas, Head of Investor Relations, Head of Compliance & Risk (control functions)

Band 6 – Fund Manager, Senior Investment Manager

Band 5 – Investment Manager

Senior Management is the Resonance Leadership Team comprising Daniel Brewer, Simon Chisholm, Sharon Gorman, John Williams and Paul Handford. Control Functions is Lucinda Dalziel, Head of Compliance & Risk. There are no employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

This part sets out the AIFM Remuneration Principles and then comments on our compliance in italics below each principle. Where principles are clearly not applicable through their subject title alone, the detail is not included. Where the title is not sufficient to establish applicability, the requirement is included for reference.

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AIFM Remuneration Principle 1: Risk management

An AIFM must ensure that its remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the instrument constituting the fund of the AIFs it manages.

We consider that this policy complies with this principle.

AIFM Remuneration Principle 2: Supporting business strategy, objectives, values and interests, and avoiding conflicts of interest

An AIFM must ensure that its remuneration policy is in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages or the investors of such AIFs, and includes measures to avoid conflicts of interest.

We consider that this policy complies with this principle. Please also see Part 1 for values as explained by our pay philosophy.

AIFM Remuneration Principle 3: Governance

An AIFM must ensure that the governing body of the AIFM, in its supervisory function, adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation.

The RIIL Board approved Parts 1 and 2 of this policy in February 2023 and Part 3 in June 2025.

An AIFM must ensure the implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the governing body in its supervisory function.

- (1) An AIFM that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities must establish a remuneration committee.

RIIL is not significant in these terms so this does not apply. Therefore the following 3 points do not apply but may be considered as a guide in our overall approach.

- (2) The remuneration committee must be constituted in a way that enables it to exercise competent and independent judgment on remuneration policies and practices, and the incentives created for managing risk.
- (3) The chairman and the members of the remuneration committee must be members of the governing body who do not perform any executive function in the AIFM.
- (4) The remuneration committee must be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the AIFM or the AIF concerned and which are taken by the governing body in its supervisory function.

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AIFM Remuneration Principle 4: Control functions

An AIFM must ensure that employees engaged in control functions are compensated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Remuneration of Compliance & Risk is linked to individual performance and the overall performance of the firm (ability to support increased pay) and not a particular business area and this is the same for all staff. Please see Part 1.

An AIFM must ensure the remuneration of the senior officers in the risk management and compliance functions is directly overseen by the remuneration committee, or, if such a committee has not been established, by the governing body in its supervisory function.

The remuneration of the Head of Compliance & Risk does not contain a variable element but nonetheless, is overseen by the RIIL Board as the 'People and Culture' Sub Group' reviews the salary of the Head of Compliance & Risk.

AIFM Remuneration Principle 5(a): Remuneration structures - assessment of performance

An AIFM must ensure that, 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 or AIF concerned and of the overall results of the AIFM. When assessing individual performance, financial and non-financial criteria are taken into account.

Remuneration of all staff is linked to individual performance and the overall performance of the firm (ability to support increased pay). Please see Part 1.

An AIFM must ensure that the assessment of performance is set in a multi- year framework appropriate to the life-cycle of the AIFs managed by the AIFM to ensure that:

- (1) the assessment process is based on longer term performance; and
- (2) the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs it manages and their investment risks.

There are no such performance incentives and item (2) above does not apply as there is no variable remuneration and nobody earns more than £500,000.

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AIFM Remuneration Principle 5(b): Remuneration structures - guaranteed variable remuneration

An AIFM must not award, pay or provide guaranteed variable remuneration unless it;

- (1) is exceptional;
- (2) occurs only in the context of hiring new staff; and
- (3) is limited to the first year of service.

The rights of the growth shares are not guaranteed.

AIFM Remuneration Principle 5(c): Remuneration structures - fixed and variable components of total remuneration

An AIFM must ensure that:

- (1) fixed and variable components of total remuneration are appropriately balanced; and
- (2) 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.

The rights of the growth shares are not guaranteed.

AIFM Remuneration Principle 5(d): Remuneration structures - payments related to early termination

N/A No such features

AIFM Remuneration Principle 5(e): Remuneration structures - retained units, shares or other instruments

- (1) Subject to the legal structure of the AIF and the instrument constituting the fund, an AIFM must ensure that a substantial portion, and in any event at least 50% of any variable remuneration, consists of units or shares of the AIF concerned, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments. However, if the management of AIFs accounts for less than 50% of the total portfolio managed by the AIFM, the minimum of 50% does not apply.
- (2) The instruments in (1) must be subject to an appropriate retention policy designed to align incentives with the long-term interests of the AIFM and the AIFs it manages and the investors of such AIFs.
- (3) This rule applies to the portion of the variable remuneration component deferred in line with ■ SYSC 19B.1.18R (1) and the portion not deferred.

The growth shares in Resonance Limited owned by Daniel Brewer, Simon Chisholm and the Employee Benefit Trust are not shares in an AIF. None of our funds are structured to incentivise in this way. These growth shares are linked to being founder and directors of the firm, or in the case of the Employee Benefit Trust a vehicle representing all other staff in the business, and of its overall growth and maturity.

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AIFM Remuneration Principle 5(f): Remuneration structures - deferral

- (1) An AIFM must not award, pay or provide a variable remuneration component unless a substantial portion, and in any event at least 40%, of the variable remuneration component, is deferred over a period which is appropriate in view of the life cycle and redemption policy of the AIF concerned and is correctly aligned with the nature of the risks of the AIF in question
 - (2) The period referred to in (1) must be at least three to five years, unless the life cycle of the AIF concerned is shorter.
 - (3) Remuneration payable under (1) must vest no faster than on a pro-rata basis.
 - (4) In the case of a variable remuneration component of a particularly high amount, at least 60% of the amount must be deferred.
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- (1) £500,000 is a particularly high amount for the purpose of ■ SYSC 19B.1.18R (4).
 - (2) Paragraph (1) is without prejudice to the possibility of lower sums being considered a particularly high amount.
 - (3) Whilst any variable remuneration component of £500,000 or more paid to AIFM Remuneration Code staff should be subject to 60% deferral, firms should also consider whether lesser amounts should be considered to be 'particularly high', taking account, for example, of whether there are significant differences within AIFM Remuneration Code staff in the levels of variable remuneration paid.

There is no variable remuneration for staff. The growth shares for Daniel Brewer, Simon Chisholm and the Employee Benefit Trust have a five-year feature.

AIFM Remuneration Principle 5(g): Remuneration structures - performance adjustment, etc.

An AIFM must ensure that any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the AIFM as a whole and justified according to the performance of the AIF, the business unit and the individual concerned.

The total variable remuneration should generally be considerably contracted where subdued or negative financial performance of the AIFM or of the AIF concerned occurs, taking into account both current compensation and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

There is no variable remuneration for staff. The rights of the growth shares for Daniel Brewer, Simon Chisholm and the Employee Benefit Trust depend on both time and AUM.

AIFM Remuneration Principle 6: Measurement of performance

An AIFM must ensure the measurement of performance used to calculate variable remuneration components, or pools of variable remuneration components, includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

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No variable remuneration for staff. The rights of the growth shares for Daniel Brewer, Simon Chisholm and the Employee Benefit Trust comply with the AIFM Remuneration Code.

AIFM Remuneration Principle 7: Pension policy

An AIFM must ensure that:

- (1) its pension policy is in line with its business strategy, objectives, values and long-term interests of the AIFs it manages;
- (2) when an employee leaves the firm before retirement, any discretionary pension benefits are held by the firm for a period of five years in the form of instruments in ■ SYSC 19B.1.17R (1); and
- (3) in the case of an employee reaching retirement, discretionary pension benefits are paid to the employee in the form of instruments referred to in ■ SYSC 19B.1.17R (1) and subject to a five-year retention period.

N/A No discretionary pension benefits

AIFM Remuneration Principle 8: Personal investment strategies

An AIFM must ensure that its employees undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

N/A There are no such elements in remuneration arrangements nor are we aware that such hedging or insurance could be achieved in our sector.

AIFM Remuneration Principle 9: Avoidance of the remuneration code

An AIFM must ensure that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Remuneration Code.

No variable remuneration for staff. The rights of the growth shares for Daniel Brewer, Simon Chisholm and the Employee Benefit Trust comply with the AIFM Remuneration Code.