FIDEURAM
ASSET MANAGEMENT IRELAND

# Remuneration and Incentive Policy

**December 2018**

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**Document Control**

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## 1 Introduction

Fideuram Asset Management (Ireland) Designated Activity Company (hereinafter the "Company" or "FAMI"), is currently appointed as UCITS management company to four Luxembourg UCITS funds/SICAV – Fonditalia, Fideuram Fund, Interfund SICAV and AILIS SICAV (hereinafter the "Managed Funds" or the "Funds").

In accordance with its obligations under regulations 24(A) and 24(B) of the European Union (Undertakings for Collective Investment in Transferable Securities)(Amendment) Regulations 2016 which amend the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (together the "Regulations", "UCITS Directives" or simply "UCITS"), the Company is required to establish and apply remuneration policies and practices (hereinafter also the "Policy") that:

- (i) are consistent with and promote sound and effective risk management;
- (ii) do not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS funds it manages; *and*
- (iii) are consistent with the business strategies, objectives, values and interests of the Company, the Managed Funds and the investors in those Managed Funds and includes measures to avoid conflicts of interest.

The present Policies have been drafted on the basis of the Remuneration Policies of the Intesa Sanpaolo Group and, where not in conflict, not regulated or more restrictive, in compliance with the European and national provisions that regulate the Asset Management sector.

The Policies bring together, in a systematic and structured manner, the principles on which the remuneration and incentives system of Fideuram Asset Management (Ireland) Designated Activity Company is based, the roles and responsibilities of the governing bodies and the units responsible for the drafting, approval and application of these Policies, in addition to the related macro processes. The Company's remuneration and incentives system is updated at least annually.

## 2 General principles

The Company's remuneration and incentives policies are founded on the following principles:

- alignment of the conduct of management and employees with the interests of shareholders, clients and the related managed assets, medium and long-term strategies and corporate objectives, within the context of a framework of rules aimed at properly controlling corporate risks, both current and future, and maintaining an adequate level of liquidity and capitalisation;
- merit, with a view to ensuring a clear correlation with the performance and managerial qualities shown;
- fairness, with a view to fostering honest conduct and standardising remuneration packages;
- sustainability, in order to contain the costs arising from the application of the remuneration and incentives policies within a range of values that is compatible with medium and long-term strategies and annual objectives;
- proportionality based on the role held by staff members, in order to take into consideration the different level of impact that management and the various personnel populations have on the company's risk profile;
- compliance with the regulations in force.

The rationale behind the incentives systems designed and applied in the Company, in line with the provisions laid down in the remuneration and incentives policy of the Intesa Sanpaolo Group, take account of individual merit, also taking qualitative-behavioural factors into consideration, moderated by links to overall team performance, rewarding excellent contributions with incentives benchmarked against the target levels in the respective markets.

## 3 Regulatory backdrop

The Securities and Market Authority (hereinafter "ESMA"), issued its Guidelines on Sound Remuneration policies under the UCITS Directive and AIFMD on 31 March 2016 (hereinafter the "Guidelines") which take effect from 1 January 2017. The provisions of the Guidelines have been considered and are referenced where applicable in this Remuneration Policy.

The Regulations and the Guidelines provide that in taking measures to comply with the remuneration principles companies should comply in a way and to the extent that it is appropriate to their size, internal organisation and the nature, scope and complexity of their activities. It is for each company to decide and no further guidance has been provided on what elements of the requirements could be disapplied on the basis of proportionality. Instead, further guidance has been sought by ESMA from the European Institutions. Accordingly, the position taken by the Company in this Policy is based on a consideration of what is relevant taking into account the guidance on proportionality which is included in the Guidelines but noting that further amendment may be required in the event that more specific guidance is issued.

Futhermore the UCITS V Directive (2014/91/EU) was transposed into Irish law on 21 March 2016 pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2016 – S.I. No. 143 of 2016

The body of regulations in force within the Intesa Sanpaolo Group apply for the purposes of this document, with specific reference to:

- "Intesa Sanpaolo Group Guidelines on Remuneration and Incentives" which bring together, in a systematic and structured manner, the principles on which the Group's remuneration and incentives system is based. The Guidelines form the reference framework for defining the "Intesa Sanpaolo Group Remuneration and Incentives Policies" on an annual basis.
- The Intesa Sanpaolo Group's "Remuneration Policies", which detail the Group's remuneration and incentives system for 2018, in accordance with the above-mentioned Guidelines and Rules. These Policies, described in the Intesa Sanpaolo "Remuneration Report 2018" dated 28 March 2018 were approved by the ultimate parent company's General Meeting of Shareholders.
- The "Rules for identifying personnel who have a material impact on the risk profile of the Intesa Sanpaolo Group", which illustrate, at a group-wide level, the rationale adopted and the structures put in place for identifying such key personnel known as "Risk Takers".

Considering the belonging of the Company to the Intesa Sanpaolo Group, it is also necessary to ensure the appropriate alignment of this document with the Group's remuneration policy.

As a result, remunerations paid from the 1st January 2018, including those referring to the performance starting from 1st January 2017, will comply with this Policy. Furthermore, the variable component in financial instruments, represented by share funds, payment will be in any case subject to the approval of the Parent Company's

Shareholder Meeting relating to financial year 2018 results and to the "Remuneration Policies" of the Intesa Sanpaolo Group changes. It should be noted that the Company made use of the possibility to apply the new provisions to remuneration for the full year 2017.

## 4 Roles, Responsibilities and Governance of the Remuneration Policy

In order to ensure that the remuneration and incentives systems are consistent with sound and prudent management of the firm and respect the interests of all stakeholders, based on principles of fairness, sustainability and competitiveness, the Company has defined the roles and responsibilities of the governing bodies and corporate functions involved in the process of defining the Remuneration Policy.

As the Company forms part of the Intesa Sanpaolo Group, in order to ensure that FAMI's Remuneration Policy is aligned with the principles defined at a Group-wide level, the Human Resource Department of Fideuram – Intesa Sanpaolo Private Banking S.p.A. (hereinafter "Fideuram S.p.A.") and Intesa Sanpaolo is involved in the process in advance in order to provide guidance and ensure consistency with the overall remuneration and incentives policies.

### 4.1 Resolutions of Shareholders

As set forth at art. 16.4 of the Memorandum and Articles of Association: «All matters requiring a resolution of the company in general meeting (except the removal of the Auditors from office) may be validly dealt with by a decision of the sole member. The sole member must provide the Company with a written record of any such decision or, if it is dealt with by a written resolution under regulation 6 of Part II of Table A, with a copy of that resolution, and the decision or resolution shall be recorded and retained by the company».

### 4.2 The Board of Directors

The Board of Directors is responsible for overseeing the central and independent internal review of the implementation of the remuneration policies and practices. The Board is 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. The Board is responsible for the preparation of decisions regarding remuneration, including those that have implications for the risk management and financial control of Company and the Managed Funds.

In approving and amending the Policy, the Board will take into account the long term interests of shareholders, investors and other stakeholders in the Company. The Chairman who is a non-executive director will always be in the chair when the Board are discussing remuneration issues. The Company's Managing Director will also take part in board meetings which discuss/decide the remuneration of any member of the Board or any other employee of the Company.

The Board of Directors oversees the remuneration of the senior staff responsible for heading the *control functions.*

### 4.3 The Audit and Remuneration Committee

The Company decided to entrust the Audit Committee with the advisory and consulting functions aimed to support the Board of Directors in all activities relating to remuneration, defined in accordance with the principles set out in the ESMA Guidelines on sound remuneration policies (ESMA 232/2013 and 411/2016). The Audit and Remuneration Committee is composed of non-executive members, the majority of whom are independent, including the Chairman. External advisors can participate in the meetings of the Committee in relation to specific issues.

The Audit and Remuneration Committee (hereinafter “the Committee”) has an advisory and consulting role aimed to support the Board of Directors in all the activities relating to remuneration.

The role of the Committee includes the following tasks:

- providing an opinion on the achievement of performance objectives which are linked to the incentive plans, even using the information received by the competent departments, and on the achievement of other conditions concerning the payment of remuneration;
- monitoring the correct application of the rules on the remuneration of the internal control functions;
- evaluating the mechanisms adopted to ensure that the system of remuneration and incentive takes into account the risks, liquidity levels and assets under management and is aligned with the business strategy, objectives, values preparing the proposals to be submitted to the Board of Directors and to the competent structures of the Parent Company;
- advising in the definition of the criteria to be used for determine the Risk Takers’ remuneration;
- ensure the involvement of all the competent departments in the process of defining and monitoring the implementation of remuneration policies and, in particular, of the Financial Risk Management, Risks & Compliance, Human Resources, Business Support and Operations and Finance Desks;
- supporting the definition of the criteria to be used for the determination of remuneration for Risk Takers;
- conducting a preliminary analysis on the remuneration and incentive policies for employees and collaborators;
- collaborating with the Board of Directors and other Committees, where established;
- considering the appointment of external consultants for the remuneration issues in order to give advice or support to the Board of Directors.

To carry out effectively and responsibly its own duties, the Committee has the access to the company information significant for this purpose.

### 4.4 Financial Risk Management

The Financial Risk Management Desk takes part in the process of definition of the asset management company remuneration policies, assessing the alignment of the remuneration structure with the risk profile of the Company. In particular, it provides an opinion regarding the following aspects:

- the identification of the "Risk Takers at Company level" (as defined in Section 5);
- the definition of the performance system and the use of indicators (risk adjusted) to take into account the risks assumed;
- the alignment of the variable remuneration related to the annual incentive system in respect to the risk’s level of the Company and of the funds managed.

The Financial Risk Management Desk participates, when appropriate, in the Audit and Remuneration Committee’s meetings for the issues under its area of responsibility.

### 4.5 Risks and Compliance

The Risks & Compliance Desk examines that the remuneration policies are consistent with the objectives of compliance, with the rules of the Articles of Association and with the Code of Ethics or other standards of conduct applicable to the Asset Management Company or to the Group, in order to avoid legal and reputational risk-taking inherent with the relationships with investors.

In line with the purposes described above, it provides an opinion with reference to:

- the defined process for the identification of "Risk Takers at Company level";
- the remuneration structure, with particular attention to: i) the balance between fixed and variable component, ii) the procedures for payment of the variable component for the different categories of personnel and the application of the adjustment mechanisms to the ex-post risk, iii) the overall compliance with the ex-ante risk adjusted mechanisms.

### 4.6 Human Resources Function

The Human Resources Department deals with the Human Resources Department of the parent company Fideuram S.p.A., which coordinates the process of defining and managing the Remuneration Policies, in accordance with the Group guidelines and involving the individual corporate functions within their respective areas of responsibility.

In accordance with the instructions of Intesa Sanpaolo Group's Human Resources Department and Fideuram's Human Resources Department, the Human Resource Department of FAMI implements the remuneration policy, coordinating goal-setting, subsequently reviewing the results, and the bonus payment, based on the instructions provided by the Managing Director. With support from the competent company functions, it prepares the remuneration and incentives policy proposal for all personnel, checking the criteria for the detection of the Risk Takers at Company level, the goals, the bonus activation arrangements and the rules regarding how the systems operate, also in accordance with the parent company's guidelines.

At the request of the Intesa Sanpaolo Group's Human Resources Department, it provides the information and details required for detecting the Risk Takers at Group level, as set forth in the Rules for identifying personnel who have a material impact on the risk profile of the Intesa Sanpaolo Group.

### 4.7 Internal Audit Function

The Internal Audit function is outsourced to the parent company Fideuram S.p.A.. The Internal Audit function of the parent company Fideuram S.p.A. conducts an annual audit to check that the remuneration practices are consistent with the approved policies and are in line with the legislation in this area.

Any discrepancies found during the course of the audit are brought to the attention of the governing bodies and the functions responsible for adopting any corrective actions required, which assesses the significance of such discrepancies in order to promptly notify the competent Supervisory Authorities.

It delivers an annual report to the Company's Board of Directors, containing the results of the audits carried out.

### 4.8 Other Desks

The Business Support and Operations Department supports the Human Resources Desk in establishing the criteria for the identification of the "Risk Takers at Company level", in order to support the deployment of the

remuneration criteria, in the context of the Remuneration Policies, considering the possibility to impact on the Company and Funds risk profile.
The Finance Desk supports the Human Resources Desk in the proposal of economic - financial goals to be included in the performance measures of the "Risk Takers at Company level" of the Company.

## 5 Risk Takers identification process

As an asset management company belonging to a banking group, the Risk Takers identification process takes place at two levels:

- 1st level: at Group level, in application of the provisions of Commission Delegated Regulation (EU) No. 604 issued by the European Commission on 4 March 2014, in accordance with the Directive 2013/36/EU of the 26 June 2013 (CRD IV) and the Circular 285 of the 17 December 2013 of the Bank of Italy, represented by the "Rules for the identification of staff that has a substantial impact on the risk profile of the Intesa Sanpaolo Group" ("Risk Takers at Group level");
- 2nd level: at Company level, in accordance with the Joint Regulation ("Risk Takers at Company level"), and with the "Rules for the identification of the staff who has a material impact on the Company and funds risk profile".

In line with the identification process of staff that has a substantial impact on the risk profile of the Intesa Sanpaolo Group, none of FAMI's Employees are classified within the perimeter of the "Risk Takers" of Intesa Sanpaolo Group.
The Company provided a self-assessment in order to identify the so-called "Risk Takers at Company level", i.e. the categories of staff whose professional activities have or may have a significant impact on the risk profile of the Company or on the funds managed.
This process, carried out by the Human Resources Desk with the support of the Financial Risk Management, Risks & Compliance Desks and the Others Desks, is based on an assessment of each individual position in order to assess the relevance of each subject in terms of risks assumptions with respect to the asset management company and the funds managed.
The "Risk Takers at Company level" perimeter includes:

i. Executive and non-executive **members of the Board of Directors**, including the **Managing Director**;
ii. Members of Senior Management who report directly to the Managing Director:
- **Head of Investments;**
- **Head of Business Support and Operations;**
- **London Branch Manager**.

iii. Heads of corporate control functions; according to this criterion the following subjects have or may have a significant impact on the risk profile of the Company[1]:
- **Head of Risks and Compliance;**
- **Head of Financial Risk Management;**

iv. Employees that individually or collectively assume significant risks for the Company or for the assets managed. This cluster includes, in addition to the Head of Investments, already identified within the previous category n° ii), subjects who meet the following both conditions:
- Have delegations of power for UCITS;

[1] The head of Internal Audit is not identified as Risk Taker at Company level because he/she is outsourced and performed by the Audit Department of Fideuram.

- The asset under management is at least 20%[2] of the total AuM of the Company.

By applying these conditions **no subject has been identified**.

v. This cluster includes subjects who meet the following both conditions:

i. Personnel whose total remuneration is in the same wage[3] ranges as sub categories ii) and iv) and
ii. Personnel that has has a substantial impact on the risk profile of the Company, via the Sub-funds managed, according to the delegations of power and the related structure of operational delegation.

By applying the aforementioned criteria v.i) and ii) **no Risk Takers at Company level been identified**.

In order to summarize the outcome of the Risk Takers' identification process described above, please find below the list of Risk Takers identified:

i. Executive and non-executive **members of the Board of Directors**, including the **Managing Director** (none of FAMI's Employees are identified as "Risk Takers" of Intesa Sanpaolo Group);
ii. Members of Senior Management who report directly to the Managing Director:
   - **Head of Investments;**
   - **Head of Business Support and Operations;**
   - **London Branch Manager**.
iii. Heads of corporate control functions:
   - **Head of Risks and Compliance;**
   - **Head of Financial Risk Management;**
iv. Employees that individually or collectively assume significant risks for the Company or for the assets managed: **no subject has been identified**, in addition the Head of Investments, already identified within the previous category n° ii)**;**
v. Personnel whose total remuneration is in the same wage[4] ranges as sub categories ii) and iv) and that has a substantial impact on the risk profile of the Company: **no subject has been identified**.

The aforementioned Risk Takers identification process takes into account the internal organization (organization relatively simple respect to the size, mainly due to the ownership (100%) by an Italian parent Company which allow the outsourcing of some functions and activities, short structure, organizational levels, absence of committees with decision-making powers, etc.), operational (concentration of powers and delegations in charge of senior level managers; the overall complexity of FAMI appears relatively limited and coherent with the size and with the internal organization; the firm manages solely UCITS products and, although the range of funds offered is ample, the complexity of the vast majority of the strategies applied on the funds is not high; the strategies are mostly based on the market direction, on relative value between securities or on allocation among asset classes) and size (about 65 resources) of the Company.

These Policies govern the remuneration and incentive systems of all the Company's employees, in accordance with the provisions of the Group Policy, including:

- Personnel belonging to the Asset Management population segment;

[2] The determination of quantitative thresholds of relevance is a process that, *ex se*, is impermissible to exclude the margin of discretion in the assessment process, especially if the legislation does not specify any relevant driver concerning the threshold setting (i.e. parameters or measures of relevance). 20% is deemed to reflect a statistically significant relationship to a substantial impact on the risk profile of the Company. In fact, 20% of the AUM is equal to 8.3 €/billion approximately and if we consider that the average management fee is equal to 1.2%, it results that the 20% of the AUM impact on just under 1/3 of the Company 's gross operational margin. This is a statement of a reasonable assurance and the Company is comfortable in concluding that the variables (20% and substantial impact on the risk profile of the Company) are related. Hence, the 20% threshold has been deemed consistent with the concept of "significance".

[3] Wage analysis included: base salary, bonus, benefit and pension fund.

[4] Wage analysis included: base salary, bonus, benefit and pension fund.

- Other Staff not belonging to Asset Management population segment.

## 6 Remuneration components

### 6.1 Fixed component

The fixed component is defined based on contractual conditions, the position held, responsibilities assigned, and the specific experience and competencies gained by the employee. The fixed component includes:

- the allowances paid to expatriate staff, where applicable, to cover any differences in costs, quality of life and/or the remuneration levels in the destination market;
- the allowances and/or compensation arising from roles held in governing bodies, provided that these roles are not transferred to the employee's own company;
- any benefits aimed at increasing employees' motivation and loyalty and allocated on a non-discretionary basis.

The aim of the allowances paid to expatriate staff is to ensure fairness of net remuneration between what they would earn in their country of origin and the destination country, with a view to covering any differences in costs, quality of life and/or the remuneration levels in the destination market.

Such allowances are treated as fixed remuneration as they are non-discretionary and are regulated as follows:

- it is allocated to all expatriate staff, where there is a negative difference between the destination country and the country of origin;
- it is defined based on pre-set, country-specific parameters provided by a specialist consulting firm;
- the employees in question are notified of same by means of an individual letter;
- it is paid for as long as the person remains in the country;
- it is not linked to any performance indicator.

### 6.2 Variable component

The variable component is linked to personnel performance and proportional to the results achieved and the prudential risks taken, and is formed by:

- variable component, paid through the incentives system, the bonus system and/or the Variable Results Bonus (please see section 6.2);
- any stability agreements, non-compete agreements, retention allowance and similar.

The division of the variable component of remuneration into a short-term and long-term portion enables both performance goals to be assessed over an annual accrual period and also to take into consideration the multi-year strategic objectives defined in the Intesa Sanpaolo Group Business Plan as a whole.

Remuneration cannot be paid in any form, instrument or method that does not comply with the regulatory provisions.

"Group Policies" provide for a maximum limit on variable remuneration compared to fixed remuneration as follows:

- 200% for Group Risk Takers not belonging to the Corporate Control Functions and the staff included in the Investment function and after the Intesa Sanpaolo Shareholders approval;
- 100% of fixed remuneration for roles other than Control Functions;
- 33% of fixed remuneration for Control Functions.

In this regard it should be noted that, the General Meeting of Shareholders of the Parent Company (Intesa Sanpaolo Group) held on 27 April 2017, in accordance with the requirements of the relevant regulations contained in the $7^{th}$ Update of Bank of Italy Circular 285 (known as CRD IV), approved increasing this cap to 200% for the Company's personnel in the asset manager population segment.

Staff members to which is recognized a short term variable remuneration greater than 100% of the fixed remuneration, are subject to more stringent payment conditions illustrated in the following paragraphs.
**Hence, FAMI has set the maximum limit on variable remuneration compared to fixed remuneration as follows:**

- **200% of fixed remuneration for roles within the Asset Management population segment;**
- **100% of fixed remuneration for roles other than Asset Management and Control Functions;**
- **33% of fixed remuneration for Control Functions.**

### 6.3 Criteria for defining the variable component in financial instruments

In accordance with the requirements of the Parent Company, the staff identified as Risk Takers at Company Level, or "personnel belonging to the Asset Management population segment with a relevant bonus greater than 100% of the fixed remuneration" receive part of the variable remuneration in the form of financial instruments that reflect the performance of the assets managed.
In particular, taking into account the peculiarities of FAMI, a weighted combination of UCITS managed by FAMI consistent with the following criteria is applied: representativeness of the asset allocation, investment strategy, overall performance and risks of the assets managed by the Company.

The composition of the above-mentioned combination of UCITS - which reflects the macro asset allocation currently adopted by the Company - is defined, taking into account the articulation of the managed assets and it is aimed at aligning the staff remuneration with overall performance of the assets managed by the Company:

(i) for personnel identified as Company Risk Takers other than those belonging to category iv or category v and who are also members of the management chain, the identified basket is as follows:

| Asset Class | % | Sub-funds | % |
|---|---|---|---|
| Bond Govies | 26% | Interfund Euro Bond Short Term 3-5 | 30% |
| Bond Delegated Investment Manager | 19% | Interfund Bond Global High Yield | 10% |
| Bond Credit | 6% | Fonditalia Euro Corporate Bond | 10% |
| Bond Global Emerging | 7% | Fonditalia Bond Global Emerging Markets | 10% |
| Equity Quantitative & Other | 9% | Fonditalia Equity Global High Dividend | 10% |
| Equity Emerging & Asia & Other | 10% | Interfund Equity Global Emerging Markets | 10% |
| Equity Europe & Other | 11% | Fideuram Fund Equity Europe | 10% |
| Flexible & Other | 12% | Fonditalia Flexible Italy | 10% |
| **Total** | **100%** | **Total** | **100%** |

The basket was defined in proportion to the exposure to the overall assets under management of the Company with regard to the macro-asset class among the UCITS managed by the Company those that allow replication.

(ii) for personnel belonging to the Asset Management population segment and other than the Risk Takers, the combination identified is as follows:

- 50% basket set for Risk Takers as, as already pointed out, an expression of the company's overall asset allocation, investment strategy, overall performance and risks;
- 50% basket of UCITS managed by the Company, defined on the basis of the exposure of the asset under management by the organizational unit, by identifying the UCITS that allow replication. In this regard, the identified baskets (“bond basket”, “equity basket” and “London Branch basket”) are as follows:

Bond Basket

| Desk | % | Sub-funds | % |
|---|---|---|---|
| Bond Govies | 66% | Interfund Euro Bond Short Term 3-5 | 70% |
| Bond Credit | 16% | Interfund Euro Corporate Bond | 15% |
| Bond Global Emerging and Other | 18% | Interfund Bond Global Emerging Markets | 15% |
| **Total** | **100%** | **Total** | **100%** |

Equity Basket

| Desk | % | Sub-funds | % |
|---|---|---|---|
| Equity International | 27% | Fonditalia Global | 25% |
| Equity Europe | 21% | Interfund Equity Europe | 20% |
| Quantive Strategies | 24% | Fonditalia Equity Global High Dividend | 25% |
| Equity Emerging and Asia | 28% | Interfund Equity Global Emerging Markets | 30% |
| **Total** | **100%** | **Total** | **100%** |

London Branch Basket

| Desk | % | Sub-funds | % |
|---|---|---|---|
| Multi Asset | 64% | Fonditalia Core 2 | 60% |
| Total Return | 8.5% | Ailis Risk Premia Equity | 10% |
| Multimanager | 27.5% | Fideuram Fund Eq. Market Neutral Star | 30% |
| **Total** | **100%** | **Total** | **100%** |

It’s worth noting that whether the Portfolio Manager is equally involved either in equity sub-funds and/or bond and/or flexible sub-funds, the Company will assess, where appropriate, the possibility to identify the following baskets’ combination:

- 50% basket set for Risk Takers;
- 25% “bond basket”;
- 25% “equity basket”.

### 6.4 Criteria for defining the incentives systems

The criteria used for defining the Company’s incentives systems, in accordance with the Intesa Sanpaolo Group, aimed at achieving a correlation between remuneration, performance and risk are:

1. measuring several facets of performance drawn from the Business Plan in order to align the conduct of management and employees to the medium and long-term strategic drivers, both quantitative (profitability, growth, productivity, cost of the risk/sustainability, value created for investors) and qualitative (strategic actions or projects and managerial qualities), and, in line with the characteristics of the position held, measured across different levels (Group/Unit/Individual).
   a. Focus on the sustainability metrics of performance:
      i. creating value for the client, measured through periodic customer satisfaction and service quality surveys;
      ii. multi-year projects drawn from the Business Plan, checked against the project milestones;
      iii. employee engagement, monitored through an internal climate survey, responses to on-air initiatives;
      iv. organisational effectiveness and efficiency: streamlining organisational processes in order to reduce the need for resources, including incremental reductions;
   b. Balance between profitability metrics and prudential risk management, at every organisational level;
2. the use of selection mechanisms in order to highlight the top performances (e.g. ranking) and pay bonuses to these top performers that are significantly higher than the average;
3. the adoption of a structured funding arrangement for the variable component (bonus pool) which correlates the amount to set aside for the incentives of all segments of the Company to a Group parameter, to date identified as Gross Income, in order to guarantee financial sustainability;
4. the use of a solidarity arrangement between Group results and Division/Business Unit results, based on which the overall sum of bonuses payable to the personnel in each Business Unit depends in part on the performance of the Group as a whole (reflected in the size of the bonus pool) and partly on the performance of their own Organisational Unit, measured in terms of expected level of contribution in relation to the Group's Gross Income;
5. defining Group-wide benchmark bonuses for roles and professional groups to ensure internal fairness;
6. ongoing checking of the benchmark bonuses adopted by the Group against the practices in the external market, analysed by role and/or professional group;
7. with regard to individual compliance breaches as a restriction on bonus payment:
   - absence of any disciplinary proceedings entailing suspension from work without pay for a period of at least one day, including as a result of serious findings received from the Company's control functions (as is the practice in Intesa Sanpaolo);
   - absence of any breaches in which the employee is cited by name and sanctioned by the Supervisory Authorities for breach of obligations under the current Regulation in place in terms of professionalism, integrity and independence concerning related parties and the obligations in terms of remuneration and incentives as specified in the Joint Regulation and CRD IV, entailing a sanction equal to or greater than €30,000;
8. simplicity and clarity of the rules by providing advance notification and information on the rules and the mechanisms through which they operate;
9. ongoing comparison with international and local best practices.

## 7 Compensation of Board of Directors' Members

The compensation payable to the members of the Company's governing and supervisory bodies, and for other companies in the Group, is defined by Intesa Sanpaolo as the controlling shareholder and as the entity that exercises a management and coordination role under the terms of the relevant civil law and banking regulations. The remuneration policy for the Company's Governing Bodies is therefore in line with the following principles, applied uniformly across the Group, in compliance with the regulatory framework of the different countries in which Intesa Sanpaolo operates through its subsidiaries:

- members of the governing and supervisory bodies of the companies in the Intesa Sanpaolo Group are paid remuneration that is commensurate with the tasks and responsibilities entrusted to them. Directors' remuneration is specifically determined with a view to achieving uniformity and standardisation in line with Group Standards, taking into consideration parameters relating to the size of the balance sheet and the income statement and the organisational complexity of the company in question, in addition to other aspects of an objective and qualitative nature represented by the nature of the activity carried on by the individual subsidiaries and their operational risk profile. Similar criteria are also used to set the remuneration for directors entrusted with specific tasks pursuant to article 2389 of the Italian civil code and similar provisions in foreign legislation;
- as a general rule, there are no provisions for variable components in the remuneration package, nor incentivising bonuses linked to results, nor profit sharing clauses or share subscription rights at a predetermined price. Any exceptions to this principle may only occur through justified dispensations, in compliance with any supervisory regulations in force in this regard;
- in general there are no differences in directors' remuneration whether they are Group employees, freelance professionals, self-employed, etc. The salaries of the Group employees appointed as directors of the subsidiaries are paid to the company that maintains the employment relationship;
- remuneration of the members of the board of statutory auditors of the Italian subsidiaries is defined in the letter of appointment as a fixed yearly sum for the entire duration of the mandate pursuant to article 2402 of the Italian civil code;
- the amount of the salary payable to auditors is set by applying a calculation model used as standard throughout the Group which considers objective parameters, essentially the capital and revenue of the company in question, thereby identifying a specific remuneration amount.

As a rule, members of the governing and supervisory bodies are entitled to be reimbursed for the expenses incurred in the performance of their role.

## 8 Funding of the Company's bonus pool and link to the Parent Company

All the bonus systems for the Company's personnel are subject to the following types of conditions:

1. activation conditions required at a Group-wide level (please see section 8.1);
2. funding conditions provided for by the bonus funding arrangement at a Group-wide level and at the level of the Company (please see section 8.2);
3. individual access conditions (please see section 8.3).

**8.1 Activation conditions**

The activation conditions for the Company's incentives systems are linked to surpassing specific thresholds defined at both a Group-wide level and also at the level of the Company's Division. Such conditions are founded on principles of financial sustainability of the variable component of remuneration and based on checking the "quality" of the earnings results and consistency with the thresholds set within the company's own "risk appetite framework" (RAF).

These conditions are broken as follows:

1. Intesa Sanpaolo Group Common Equity Tier Ratio (CET1) at least equal to the threshold set in the RAF;
2. Intesa Sanpaolo Group Net Stable Funding Ratio (NSFR) at least equal to the threshold set in the RAF;
3. No losses, or positive Gross Income for both for Intesa Sanpaolo Group and FAMI, net of any income from the repurchase of liabilities issued by the entity, from the valuation of the entity's own liabilities measured at fair value, and from income arising from accounting policies following changes to the internal model for payable on demand items.

Failure to achieve even one of the conditions described above means that the incentives system will not be activated for any of the Company's personnel.

**8.2 Group bonus funding and breakdown at the level of the Company**

All the Company's incentives systems for personnel are funded by a structured bonus pool arrangement that requires the activation of funding conditions both at the level of the Company's Division and also at the Intesa Sanpaolo Group level.

The funding arrangement is governed by "top down" logic so as to consider first meeting certain performance conditions at the Parent Company level and then at the level of the Company's Division.

In particular, the Intesa Sanpaolo Group bonus pool is activated if, and only if, the conditions set forth in the previous section are met, and the Gross Income exceed the access threshold (gateway) and increments progressively in the event of exceeding the threshold up to a pre-defined cap.

In the specific case that the Gross Income do not exceed the access threshold but conditions 1 and 2 outlined in the previous point have been met, then a limited portion of the Group's bonus pool in both relative and absolute terms (known as a "buffer") is made available. Primarily, the purpose of this buffer is to reward any unit performances that, going against the overall Group trend, were positive, a situation that is possible given the broad range of business lines and countries in which Intesa Sanpaolo operates, and to manage these exceptions in a regulated and transparent manner ex ante, in line with the requirements of the prudential regulations. In particular, once the conditions regarding CET1 and NSFR specified in the previous section have been met:

1. "Buffer 1" (limited in amount and, in any case, significantly lower than the bonus pool) becomes available if the Gross Income do not manage to exceed the access threshold but the figure is nevertheless positive, net of any income from the repurchase of liabilities issued by the entity, from the valuation of the entity's own liabilities measured at fair value, and from income arising from accounting policies following changes to the internal model for payable on demand items.

   This buffer is intended for the Divisions/Business Units, including the Company's Division, whose Gross Income is positive in order to reward:

   i. first and foremost, in those units in line with the budget: the best performers at every organisational level with the exception of the Risk Takers at Group level, if any;

   ii. on a secondary basis, for those Divisions/Business Units not in line with the budget: exclusively intended for the population not identified as either Risk Takers at Group level, Staff or management;

2. "Buffer 2" (significantly lower than Buffer 1) becomes available in the case of losses or negative Gross Income, net of any income from the repurchase of liabilities issued by the entity, from the valuation of the entity's own liabilities measured at fair value, and from income arising from accounting policies following changes to the internal model for payable on demand items.

   The Company's Division can access this buffer if the Gross Income are positive and exceed the budget threshold. The buffer is used to reward only that segment of the population not identified as either Risk Takers at Group level or management.

The bonus funding process at the level of the Company's occurs in two stages:

- ex ante, sizing of the Group's target bonus pool and resulting target allocation to the Company's Division and to the other Group structures;
- ex post, funding of the Group bonus pool and resulting allocation of the portion payable to the Company's Division and to the other Group structures.

In particular, ex ante, coinciding with the budget process:

- the percentage of the Group's Gross Income to allocate to funding the overall bonus pool for the year in question is calculated based on historical analysis, budget forecasts and also the projected dividend distribution target;
- the preliminary allocation of the Company's bonus pool, as a percentage of the overall bonus pool, occurs through the following steps:
  - definition of the theoretical bonus amount: sum of the benchmark bonus, defined, in accordance with the principles of personnel segmentation, based on the role or benchmarking against the market and differentiated by professional group, multiplied by the number of employees at the start of the year and by the selection levels defined by the expected level of contribution;
  - definition of the Group's theoretical bonus amount: sum of the theoretical bonus amounts of the Company's Division and of the other Group structures;
  - definition of the theoretical bonus amount payable to the Company's Division and to the other Group structures as an allocation percentage of the Group's theoretical bonus amount. The sum of the structures' portions amounts to 90%. The remaining 10% represents the percentage of the theoretical bonus amount awarded at the discretion of the CEO;
  - calculation of the Group's target bonus amount: sizing of the Group's target bonus amount resulting from applying the percentage of the Group's Gross Income, as defined above, to the Result forecast in the budget for the year in question;
  - allocation of the target bonus amount to the individual structures: application of the allocation percentage of the structure's theoretical bonus amount to the Group's target bonus amount.

Ex post, once the activation conditions specified in the previous section have been confirmed, coinciding with the annual results reporting stage:

- the bonus pool funded at Group level, resulting from the application of the portion of the Group's Gross Income, as defined above, to the Result achieved in the year in question, is adjusted by +/- 10%, based on an assessment of the relative performance of Intesa Sanpaolo compared to a panel of international and domestic peers defined in the budgeting process, according to comparability criteria by size (assets), capital and talent markets, and business mix;

- where the Company's Division meets the funding conditions (defined as the structure's Gross Income above the access threshold), the bonus pool is allocated based on the allocation percentage defined ex ante, with the bonus pool allocated per structure open to modification according to the actual level of contribution in the year in question (positive delta between the structure's Gross Income and budget).

### 8.3 Individual access conditions

Once the conditions pursuant to the two paragraphs above are verified, payment of the individual bonus is proportional to the level of achievement of the individual performance objectives and, in any case, subject to the verification of the so-called individual compliance breaches:

- disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the company's control functions;
- in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per the current Regulation in place regarding the requirements of professionalism, integrity and independence or on the matter of related-party transactions and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than € 30,000.

## 9 The incentive system

### 9.1 The incentive system of Risk Takers at Company level

The incentive system for "Risk Takers at Company level" as all incentive and reward systems for all employees of the Group, is subject to verification of the conditions described in paragraph 8.

This system is designed to address and reward the best performance, in order to optimizing the risk/return ratio, taking into account the results of the Company and of the assets managed, through the assignment of *ex ante* objectives and *ex post* evaluation of results achieved with respect to the assigned tasks.

The assignment of goals (*goal setting*) to the Managing Director shall be the responsibility of the Board of Directors of the Company, and of the Hierarchical Responsible for further Risk Takers, based on the Guidelines provided by the Human Resource Department at Intesa Sanpaolo.

The assignment of goals (*goal setting*) to the subjects referred to in category ii) of paragraph 5 shall be the responsibility of the Board of Directors of the Company, on the Managing Director's proposal.

The assignment of goals (*goal setting*) to the subjects referred to in category iii) of paragraph 5 (Heads of the internal Control Functions) is the responsibility of the Board of Directors of the Company.

<u>Payment of variable remuneration in share of Funds</u>

The assignment of share of funds is envisaged for all "Risk Takers at Company level", with respect to:

- 50% of the up front remuneration;
- 50% of the deferred remuneration.

<u>Accrual and pay-out schemes</u>

The payment of the bonus to the "Risk Takers at Group Level" and to the "Risk Takers at Company level", is subject to specific rules in terms of:

- Deferral arrangements: part of the bonus is awarded in the years following the vesting of the up front component, which takes place in the year following the performance measurement;

- Pay out in cash and in share of funds;
- Retention mechanism for bonus in share of funds;
- Ex-post adjustment mechanisms - malus or clawback.

Deferred payment of variable remuneration

The deferred portions are differentiated by amount of variable remuneration:

- 60% for a bonus in excess of 100% of the fixed remuneration;
- 40% for a bonus lower or equal to 100% of fixed remuneration.

Retention period

The following holding period is defined for the assigned share of funds:

- 2 years for the upfront component;
- 1 year for "Risk Takers at Company level" when the bonus is equal or less than 100% of the fixed component;
- 6 months for "Risk Takers at Company level" when the bonus is more than 100% of the fixed component;

Deferral period

For "Risk Takers at Company level" who accrue a bonus in excess of 100% of the fixed remuneration, the deferral period is equal to 5 years, with payment of 60% of the bonus by instalments as follows:

- 20% in the year following that of accrual of the upfront component;
- 40% in the 4 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

For "Risk Takers at Company level" accruing a bonus lower or equal to 100% of fixed remuneration the deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:

- 20% the year following the year of maturity of the upfront component;
- 20% in the two years following the year of allocation of the first deferred instalment in equal amounts of 10%.

Breakdown of deferred portions

For "Risk Takers at Company level" accruing a bonus higher than 100% of fixed remuneration the breakdown of the deferred portion is as follows:

- 1st deferred portion: 100% cash;
- 2nd deferred portion: 100% share of Funds;
- 3rd deferred portion: 100% share of Funds;
- 4th deferred portion: 100% share of Funds;
- 5th deferred portion: 100% cash.

Below is reported the annual vesting, settlement and cash flow scheme (considering the holding period) when the bonus accrued exceeds the 100% of the fixed remuneration:

**Accrual**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Cash** | **20%** | **20%** | | | | **10%** |
| **UCITS** | **20%** | | **10%** | **10%** | **10%** | |

**Pay out**

| | 2018 | 2019 | 2020 | | 2021 | | 2022 | | 2023 |
|---|---|---|---|---|---|---|---|---|---|
| | month x | month x | month x | month x + 6 months | month x | month x + 6 months | month x | month x + 6 months | month x |
| **Cash** | **20%** | **20%** | | | | | | | **10%** |
| **UCITS** | | | **20%** | **10%** | | **10%** | | **10%** | |

| **Cash flow in 6 years** | | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | **20%** | **20%** | **30%** | **10%** | **10%** | **10%** |

For "Risk Takers at Company level" accruing a bonus lower or equal to 100% of fixed remuneration the breakdown of the deferred is as follows:

- 1st deferred portion: 50% cash and 50% share of Funds;
- 2nd deferred portion: 100% share of Funds;
- 3rd deferred portion: 100% cash.

Below is reported the annual vesting, settlement and cash flow scheme (considering the holding period) when the bonus accrued is equal or less than 100% of the fixed remuneration:

| **Accrual** | | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| **Cash** | **30%** | **10%** | | **10%** |
| **Share of funds** | **30%** | **10%** | **10%** | |

| **Pay out** | | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | | 2021 |
| | month x | month x | month x | | month x |
| **Cash** | **30%** | **10%** | | | **10%** |
| **Share of funds** | | | **30%** | **10%** | **10%** |

| **Cash flow in 4 years** | | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | **30%** | **10%** | **40%** | **20%** |

<u>Relevant Bonus</u>

The threshold for identification of a "Relevant Bonus" is set at € 80,000. Bonuses equal to or below that threshold are paid entirely in cash and upfront.

In the specific case where the bonus is below € 80,000 and is greater than 100% of the fixed remuneration, the pay-out will be 60% as upfront cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition and clawback mechanisms.

The following is the summary overview of the different methods of awarding for the variable remuneration in relation to the specific category of "Risk Takers at Company level" and/or to the value of the bonus accrued.

| Deferral period | 5 years | 3 years | 2 years |
|---|---|---|---|
| N. deferred portions | 5 | 3 | 1 |
| Deferred portion | 60% | 40% | 40% |
| Quota up front | 40% | 60% | 60% |
| Payment of the deferred portion | 50% cash; 50% share of Funds | 50% cash; 50% share of Funds | 100% cash |
| Payment of the up-front portion | 50% cash; 50% share of Funds | 50% cash; 50% share of Funds | 100% cash |
| **Risk Takers** | > 100% fixed remuneration | ≤ 100% fixed remuneration | ≤ 80.000 euro<br>> 100% fixed remuneration |

<u>Variable remuneration payment conditions</u>
The deferred portion is subject to the permanence in the Group until the end of the deferral period or at the deadlines envisaged for actual delivery of share of Funds, excepting for what is provided in the event of termination of the employment relationship, as well as to the "malus condition" described below and to the non-existence of negative events directly attributable to the individual's behaviour, in carrying out their activities, which jeopardises the sustainability of results over time.
An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by internal disposals adopted by the Parent Company in compliance with the Supervisory Provisions on remuneration.

<u>Calculating the total incentive payable</u>
For Risk Takers at Company level the determination of the bonus is a function of the results achieved with respect to the goals defined in the individual performance scorecard, taking into account the specific nature of the Asset Management population segment.

The above individual incentive calculation schemes result in the application of the principles of selectivity, merit and performance differentiation.

### 9.2 The incentive system for personnel belonging to the Asset Management Segment

The incentive system for personnel (managers and not managers) belonging to the Asset Management population segment, different from Risk Takers at Group or at Company level, is subject to verification of the conditions described in paragraph 8.
Concerning the Asset Managers, the variable remuneration is defined taking into account the risk/return profile of the several assets managed in order to address and reward the best performances and, at the same time, to aligning the incentive system to the clients and stakeholders interests.
As anticipated in the previous paragraphs, the incentive system for personnel belonging to the Asset Management population segment is directly linked to the performance of the funds managed and assessed on a multi-year perspective.
The performance evaluation is done considering the seniority level of the manager and the kind of asset class managed by the employee. In addition to those evaluations, is also considered the level of the qualitative discretional and/or planning performances reached, that support the alignment of the single employee to long term objectives (awarding not only the quantitative goal but also the way used for the achievement of that goal).

The individual awarding of the bonus is submitted to each Direct Manager according to the Head of each Department, according to the guidelines defined by the Human Resources Department of the company and in line with the bonus pool assigned.
The variable remuneration shall be paid entirely up front and in cash only in cases where it represents an amount equal or less than € 80,000 and less then 100% of the fixed remuneration.

<u>Payment of variable remuneration in share of Funds</u>
The assignment of share of funds is envisaged for bonuses higher than € 80,000 and above 100% of fixed remuneration, with respect to:
– 50% of the upfront remuneration;
– 50% of the deferred remuneration.

<u>Accrual and pay-out schemes</u>
Any bonus above the threshold of € 80,000 and above 100% of the fixed remuneration, will be regulated by specific rules in terms of:
– Deferral arrangements: part of the bonus is awarded in the years following the vesting of the up front component, which takes place in the year following the performance measurement;
– Pay out in cash and in share of funds;
– Retention mechanism for bonus in share of funds;
– Ex-post adjustment mechanisms - malus or clawback.

<u>Deferred payment of variable remuneration</u>
For bonuses higher than € 80,000 and above 100% of fixed remuneration, the deferred portion is equal to 40%.

<u>Retention period</u>
The following holding period is defined for the assigned share of funds:
– 2 years for the upfront component;
– 1 year for the deferred component.

<u>Deferral period</u>
For bonuses that exceeds € 80,000 and the 100% of fixed remuneration the deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:
– 20% in the year following that of accrual of the upfront component;
– 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%

<u>Breakdown of deferred portions</u>
Bonuses above € 80,000 and above the amount of 100% of fixed remuneration are broken down as follow:
– 1st deferred portion: 50% cash, 50% share of funds;
– 2nd deferred portion: 100% share of funds;
– 3 nd deferred portion: 100% cash.

| **Accrual** | | | | |
|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** |
| **Cash** | **30%** | **10%** | | **10%** |
| **Share of funds** | **30%** | **10%** | **10%** | |

| Pay out | | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | | 2021 |
| | month x | month x | month x | | month x |
| Cash | 30% | 10% | | | 10% |
| Share of funds | | | 30% | 10% | 10% |

| Cash flow in 4 years | | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | 30% | 10% | 40% | 20% |

Accrual and settlement schemes: special cases

In specific cases where the bonus accrued:

– is above € 80,000 and below 100% of the fixed remuneration;
– is below € 80,000 and above 100% of the fixed remuneration;

60% of this bonus will be paid up front in cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition e clawback mechanisms.

The following is the synoptic scheme of the methods of issue of the variable part in relation to the absolute and relative value to the fixed remuneration of the bonus accrued.

| Deferral period | 3 years | 2 years | |
|---|---|---|---|
| N. deferred portions | 3 | 1 | |
| Deferred portion | 40% | 40% | |
| Quota up front | 60% | 60% | |
| Payment of the deferred portion | 50% cash; 50% share of funds | 100% cash | |
| Payment of the up-front portion | 50% cash; 50% share of funds | 100% cash | |
| Asset manager | > 80.000 euro<br>> 100% Fixed Remuneration | > 80.000 euro<br>≤ 100% Fixed Remuneration | ≤ 80.000 euro<br>> 100% Fixed Remuneration |

Variable remuneration payment conditions

The deferred portion is subject to the individual permanence with the Group at the end of the deferral period or at the deadlines envisaged for actual delivery of the share of Funds, save as provided in case of termination of the employment agreement, as well as to the "malus condition" described below and to the non-existence of negative events directly attributable to the individual's behaviour, in carrying out their activities, that jeopardises the sustainability of results over time.

On the deferred cash component, an appreciation is recognized in line with market interest rates, as required by the internal regulation of the Ultimate Parent Company in accordance with Supervisory Provisions on remuneration.

### 9.3 Incentive Systems for other staff

The incentive system for other staff not belonging to the Asset Management population segment and not being "Risk Takers at Company level", as the rest of the incentive systems for the other Group personnel, is subject to the verification of the conditions described in paragraph 8.

This incentive system is predisposed in line with the principles, guidelines and rules provided by the incentive systems described above. In fact, recognition of performance is primarily based on individual merit and considering also qualitative-behavioral elements, team solidarity, and rewarding excellent contributions with incentives comparable to the target levels of their respective reference markets.

Measurement of the total incentive

The total amount entitled to every manager is awarded annually at the discretion of the Direct Manager, consistently with the evaluation scorecard results of the individual performance and according the following criteria:

– Within the limits of the bonus pool assigned
– In compliance with Company Human Resources Department Guidelines on the selectivity, bonus and within the minimum and maximum limits for every professional area.

Accrual and settlement schemes

The other staff variable remuneration shall be paid entirely up front and in cash only in cases where it represents an amount of equal or less than € 80,000.

If bonus is higher than € 80,000, the upfront portion is entirely equal to 60% in cash, and the deferred portion is entirely equal to 40% in cash, with a vesting period of 2 years, subject to malus condition and clawback mechanisms.

The following is the summary overview of the different methods of awarding for the variable remuneration in relation to other staff not belonging to the Asset Managers and not being "Risk Takers at Group or Company level" and/or to the value of the bonus accrued.

| | | |
|---|---|---|
| **Deferral period** | **2 years** | **#N/A** |
| **N. deferred portions** | **1** | **#N/A** |
| **Deferred portion** | **40%** | **#N/A** |
| **Quota up front** | **60%** | **100%** |
| **Payment of the deferred portion** | **100% cash** | **#N/A** |
| **Payment of the up-front portion** | **100% cash** | **100% cash** |
| **Other Staff** | > 80.000 euro | ≤ 80.000 euro |

## 9.4 Malus condition on the share of deferred variable remuneration

Payment of the deferred portion of variable remuneration is subject to the assessment of the individual access condition as defined in paragraph 8.3.

Each deferred portion is, indeed, subject to an ex-post adjustment mechanism - the so-called malus condition - according to which the relative amount recognised and the number of share of Funds assigned, if any, may be reduced, even to zero, in the year to which the deferred portion is paid, in relation to the level of achievement of the Incentive System access conditions, namely:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;

3. No loss or positive Gross Income (both at Group and Company level) net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

In particular, if either condition 1, 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

### 9.5 Clawback mechanisms

The Company reserves the right to activate claw-back mechanisms, the return of bonuses already paid as required by regulations, as part of the disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel and for payments awarded in breach of the Regulation in force from time to time, also taking into account the relative legal, contribution and fiscal profiles.

## 10 Remuneration of Delegates

In the event of the delegation of portfolio management or risk management of UCITS, Risks & Compliance Desk verifies that:

a) the delegate is subject to remuneration obligations equivalent to those applicable to the Company;

b) the Investment Management Agreement in place contains clauses such as to avoid possible circumvention of the law.

The equivalence of the rules applicable to the delegated manager shall be deemed to be respected if (i) the delegate is subject to the CRD, UCITS or AIFM about remuneration disciplines; and (ii) the most relevant staff of the delegate are subject to the rules of CRD, UCITS or AIFM in remuneration disciplines.

## 11 Ban on hedging strategies

Individual employees are expressly forbidden from undertaking personal hedging strategies or remuneration-related insurance or insurance covering other aspects that could alter or undermine the risk alignment effects embedded in the remuneration arrangements described.

## 12 Severance pay

With reference to the rules set out for Severance Pay, the asset management company applies the rules defined at the Ultimate Parent Company level.

In this regard, in accordance with the Group internal regulations adopted by the Ultimate Parent Company in accordance with the Supervisory Provisions of the Bank of Italy on remuneration, the severance payment agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the national collective bargaining agreement concerning payments related to the duration of the notice period constitutes the so-called golden parachutes, including any compensation paid according to the non-competition agreement.

In Intesa Sanpaolo Group, the principles under this severance payments definition - inspired to both the correlation between severance pay and continuative performance criteria and the control of a potential litigation – are:

- regulatory capital adequacy requirements maintenance;
- no reward for failure;
- blamelessness of individual behaviours (consistency with compliance breaches criteria);

- alignment with international and domestic best practices.

Pursuant to those criteria and Supervisory provisions on remuneration, when negotiating these kind of remunerations, Intesa Sanpaolo defined that those payments:

- have a maximum limit equal to 24 monthly payments of the fixed remuneration; the adoption of this limit may lead to a maximum disbursement of 400,000 euro[5].
- are paid according to methods set for short-term variable remuneration, for each cluster, except for the payment related to the duration of the notice period.

The definition of those payments agreed in view of or upon early termination of the employment agreement or early termination of office are subject to the disposal above described only in the case the application is not in conflict with the legal provisions in early termination of the employment agreement matters in a single Country or with it has established by the local authority or otherwise, it is specifically accorded with Bank of Italy.

It should be noted that the definition of maximum limit falls well below the provisions of the sector's national collective bargaining agreement (which allows to issue up to a maximum of 39 monthly payments, including the amount due as allowance for failure to give notice) and national practice (36 monthly payments, of which up to 24 in excess of the amount due as failure to give notice), discounting, de facto and ex ante, the assumption that the early termination of the employment relationship should not represent a rewarding element, which results in the containment of the sums payable on that account, in line with the application of the "no reward for failure" principle.

Similarly to what is provided for the Risk Takers, as far as relates the rest of the population, the Human Resources Desk of the Company provides for a symmetrical process – taking into account the opinion of the Risk and Compliance Desk about the compliance of the proposal with the law in force and its consistency with the remuneration and incentive policies - by determining the adequate amount payable as severance pay, for the portion in excess of the allowance for failure to give notice, within the scope of the maximum limit approved by the Shareholders' Meeting, taking into consideration the overall evaluation of the individual's activity in the different roles held over time and having particular regard to the levels of capitalisation, liquidity and profitability of the Group, and the presence or absence of individual sanctions imposed by the Supervisory Authority.

In addition, with regard to the remaining population, the Human Resources Desk, with the support of the Finance Desk, ensures, through a process of verification carried out every six months, that the fees paid by way of severance in accordance with the terms defined in this paragraph, at the level of total and net amount due by way of compensation for failure to give notice, may not prejudice the level of capitalisation of the Company. This half-yearly review is carried out according to the similar process concurrently defined by the Parent Company and in compliance with the guidelines issued by the Human Resources Head Office Department and the Planning and Active Value Management Head Office Department of Intesa Sanpaolo.

As regards the payment methods, finally, these are differentiated by personnel category.

In particular, severance payments exceeding the provisions of the national collective bargaining agreement as payment related to the duration of the notice period, are granted as follows:

2. Risk Takers at Company level (as identified at the time of the termination of employment):

- 60%, up front at the time of the termination of employment, of which:
  - 30% in cash;
  - 30% in units/shares of funds, subject to a two-year *holding period*;
- 40% deferred, of which:
  - 10% in cash and 10% units/shares of funds, the year following the year of termination of employment;

[5] As provided for by the Provisions, these maximum limits do not include the allowance in lieu of notice period provided for by the CCNL; Fixed remuneration includes gross annual remuneration and any royalties and / or emoluments received for unpaid and chargeable fees.

- o 10% in units/shares of funds, in the second year following that of the termination of employment, subject to a holding period of 1 year;
- o 10% in cash, in the third year following that of the termination of employment.

For all other employees, 60% of the severance payment exceeding the provisions of the national collective bargaining agreement as payment related to the duration of the notice period - if higher than € 80,000 - is paid out up front in cash and the remaining 40% is paid out always in cash after a two-year deferral.
Each deferred portion of said severance payment reflects the provisions laid down in the Incentive System, indeed subject to an ex-post adjustment mechanism - the so-called malus condition - according to which the relative amount recognised and the number of share of Funds assigned, if any, may be reduced, even to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions at Group level, namely:
1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Gross Income continuing operations (both at Group and Company level), net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.
In particular, if either condition 1 or 2 do not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.
The payments agreement, minus the allowances for no notification, for values lower than euro 80,000 are awarded entirely cash and up front, autonomously the belonging to a population segment.

## 13 Disclosure

The information on the remuneration of the Company staff is reported in the Annual Report of the Funds managed.
The prospectus of the managed funds describes updated information on the Remuneration Policy or the website where those information are disclosed.
In accordance with the provisions within the ESMA Guidelines, the asset management company shall prepare an annual report with the criteria and principles underlying the definition of the Remuneration Policy.
The Remuneration Policy of the Company and its updates are published on the corporate intranet in order to make it accessible to employees of the Company.

## 14 Concluding provisions

The Company will comply with the disclosure requirements set out in the Regulations.

The Company is not required to report to ESMA as to whether it complies with the Guidelines.

This Policy (together with compliance herewith) will be subject to an annual central and independent internal review.

This review will ensure that:

- the overall remuneration system operates as intended;
- the remuneration pay-outs are appropriate;
- the risk profile, long term objectives and goals of the Managed Funds are adequately reflected; and
- the policy reflects best practice guidelines and regulatory requirements.

The Managing Director and the Chairman will take appropriate measures to address any deficiencies identified in the Policy.

If, following an annual or other review of the levels of adherence to the Company's Policy, it transpires that the Company is not fully compliant with the principles set out therein, corrective action may be required. Such corrective may include possible revision of the level of remuneration payable to the staff concerned.

If a review of Company's Policy identifies any non-compliance with UCITS V Directive and in the future, the Guidelines or Central Bank requirements, a re-statement of the Policy may be the appropriate course of action. Any such re-statement will be subject to the prior approval of the Board.