



**SUMMARY OF THE REMUNERATION AND
INCENTIVE POLICIES OF
EURIZON CAPITAL SGR S.p.A.**

2020

INTRODUCTION

The “*Remuneration and incentive policies of Eurizon Capital SGR S.p.A.*” (hereinafter also “Policies”) are prepared based on the Remuneration and Incentive Policies of the Intesa Sanpaolo Group and, if not in contrast, unregulated or more restrictive, in compliance with European legislation (“UCITS Directive” and “AIFM Directive”) as well as national regulations (Bank of Italy Regulation of 5 December 2019 implementing Articles 4-undecies and 6(1) b) and c-bis) of the TUF (hereinafter also the “Bank of Italy Regulation of 5 December 2019”) that regulate the asset management sector.

In a capacity as “significant” manager, the SGR is required to adopt all the most stringent requirements of applicable regulations.

The “*Remuneration and incentive policies of Eurizon Capital SGR S.p.A.*” consist of three sections:

- “*Section I: Procedures for adopting and implementing the Remuneration and Incentive Policies*” which describe the roles and responsibilities of Corporate Bodies and internal entities of the SGR to adopt and update the Policies;
- “*Section II: Remuneration and incentive principles, systems and tools*”, that describe the remuneration and incentive systems of the SGR and relative adoption and implementation procedures;
- “*Section III: Rules for identifying personnel that have a significant impact on the risk profile of the Group and the SGR or on managed assets*”, that describes the principles and criteria used to identify personnel that have a significant impact on the Company's risk profile.

SECTION I: PROCEDURES FOR ADOPTING AND IMPLEMENTING THE REMUNERATION AND INCENTIVE POLICIES

The *Shareholders' Meeting* of the SGR (i) approves and reviews on an annual basis the adoption of the Remuneration Policies referred to members of the Board of Directors, Board of Statutory Auditors and personnel of the SGR, including financial instrument-based remuneration plans, and the criteria for determining sums to pay in the event of early termination of employment, (ii) determines the remuneration of the Board Directors and members of the Board of Statutory Auditors, (iii) approves, if applicable and where required by the Group Remuneration and Incentive Policies and when the Shareholders' Meeting is in favour, with the majorities established by applicable legislation, a limit on the ratio between the variable and fixed component of individual remuneration of personnel which is higher than 1:1. The Shareholders' Meeting is also given information, at least annually, (i) on the procedures followed to adopt the remuneration and incentive policies (ex post disclosure), broken down by role and function, including the basket of UCIs to assign to Company personnel for the purposes of the incentive system and (ii) on the outcomes of controls overseen by the Internal Audit function and on the adoption of any corrective measures.

The *Board of Directors* defines, puts to the Shareholders' Meeting and reviews annually the SGR's Remuneration Policies and ensures they are consistent with overall choices in terms of risk assumption, the long-term objectives and strategy, corporate governance structure and internal controls. When defining the Remuneration Policies, the Board of Directors involves competent company functions in the process, each for their own area of responsibility.

The *Remuneration Committee* has an advisory role and assists the Board of Directors in activities related to remuneration. The Committee is composed of non-executive members, the majority of whom are independent including its Chairman¹. To perform its tasks in an effective and responsible manner, the Committee has access to all the relevant company information for that purpose.

The *Human Resources Department* coordinates the process to define and manage the SGR's Remuneration policies, assisting the *Remuneration Committee*. The *Risk Management Function* takes part in the process to define the Policies, assessing the alignment of the remuneration structure with the Company's risk profile, while the *Compliance & AML Function* checks that the Policies are consistent with objectives of compliance with regulations, the articles of association as well as the Code of Ethics or other standards of conduct applicable to the Company or Group, in order to limit the undertaking of legal and

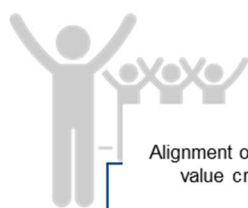
¹ The current members of the Remuneration Committee of Eurizon Capital SGR are: Daniel Gros (Chairman), Fabrizio Gnocchi and Federica Seganti.

reputational risks. On an annual basis, at the end of the Policies application cycle, the *Internal Audit* Function checks the compliance of remuneration practices with the approved Policies and their alignment with applicable regulations. The outcomes of controls are notified annually to the Shareholders' Meeting.

SECTION II: REMUNERATION AND INCENTIVE PRINCIPLES, SYSTEMS AND TOOLS

The purpose of the SGR's remuneration and incentive policies is to align the conduct of management and personnel with the interests of all Stakeholders, focussing on the achievement of medium/long term sustainable objectives, in the context of a prudent assumption of current and future risks, and contributing to make the SGR and Group an “*Employer of choice*” in terms of its ability to attract, motivate and retain the best resources.

In particular, the SGR's remuneration and incentive policies are based on the following principles:



STAKEHOLDERS' INTEREST

Alignment of management and personnel conduct with the interests of all **Stakeholders**, with a focus on value creation for **Shareholders**, as well as on the social impact generated on the **Communities**



CORRELATION BETWEEN REMUNERATION AND RISK TAKING

- direction of management and personnel conduct towards the achievement of objectives within a **framework of rules** aimed at controlling corporate risks
- remuneration systems aligned with prudent **financial and non-financial risk** management policies (including legal and reputational risks), in line with what is defined in the Group's Risk Appetite Framework
- definition of a sufficiently high fixed component to allow the variable portion to decline significantly, even down to zero, upon occurrence of specific conditions



ALIGNMENT WITH MEDIUM AND LONG-TERM OBJECTIVES in accordance with Group Risk Tolerance

- definition of a set of Incentive Systems in order to drive performance over a **multi-year accrual** period and to share the medium-long term results consequent to the implementation of the Business Plan



MERIT

- **remuneration flexibility**: bonuses are linked to the results achieved and the risks undertaken
- **competitiveness**: focus on key staff members with high managerial skills, to whom competitive salary brackets, compared with the reference market, are reserved
- best performers' **recognition** through above-average bonuses



EQUITY

- **correlation** between fixed remuneration and the level of responsibility, measured through the Global Banding System or the seniority/professional role
- **differentiation** of salary brackets and the ratio of the variable component to the total remuneration according to the relevant professional category and/or geographical market, with the Banding bracket or the seniority/professional role being equal
- focus on the **gender pay gap**



SUSTAINABILITY: expenses reduction deriving from application of the policies to values compatible with the available economic and financial means

- selective reviews of fixed remuneration based on strict **market benchmarks**
- mechanisms to **adjust allocations** to the total incentive provisions according to the profitability and the results achieved by the Group
- **appropriate caps** on both total incentives and the amount of individual bonuses



REGULATORY COMPLIANCE

- compliance with **legislative and regulatory provisions, with codes of conduct and other self-regulation provisions** with focus on the Group Risk Takers (and among these, on Key Managers, so-called Top Risk Takers), on Legal Entity Risk Takers and on the Corporate Control Functions
- **fairness in customer relations**

SEGMENTATION OF PERSONNEL

The SGR's remuneration and incentive policies are based on personnel segmentation logics that make it possible to put principles of merit and fairness in an operational context, in order to appropriately differentiate total remuneration, and also establish remuneration mechanisms that are specific for different personnel clusters, with a particular focus on resources that have an impact in regulatory terms, to whom more stringent requirements apply.

In adopting these logics, Company personnel can be divided into three macro-segments:

- *Risk Takers*;
- *Middle Management*²;
- *Professionals*.

IDENTIFICATION OF “*RISK TAKERS*”

As the company is an SGR belonging to a banking group, the identification of “*Key personnel*” (“*Risk Takers*”), i.e. the categories of people whose professional activities have or may have a significant impact on the risk profile of the SGR or managed UCIs, takes place (i) at a Group level, in compliance with banking regulations (CRD IV) and (ii) an SGR level, as provided for by asset management sector regulations.

The following persons are therefore classified as “*Key Personnel*”:

- i. executive and non-executive members of the Board of Directors;
- ii. persons who directly report to senior management, as well as persons who directly report to the Board of Directors, the Chief Executive Officer and Board of Statutory Auditors;
- iii. personnel of corporate control functions;
- iv. other persons who alone, or collectively, undertake risks in a way that is significant for the SGR or managed UCIs;
- v. other persons whose remuneration comes in the same band as categories ii) and iv).

STRUCTURE OF REMUNERATION

The structure of SGR personnel remuneration includes:

- the *fixed component*, defined based on the contractual framework, the role held, the responsibilities assigned, the particular experience and expertise of the employee.
- the *variable component* (short and long term) related to the services provided by personnel and symmetrical with the results actually achieved and risks prudentially undertaken.

It is a practice of the Group and SGR to establish *ex-ante* balanced, maximum limits for the variable remuneration of all personnel segments, by defining specific *caps* on bonus increases in relation to any *over-performance*.

In compliance with applicable sector regulations, as well as the Intesa Sanpaolo Group Remuneration Policies, a maximum limit on variable remuneration in relation to fixed remuneration has been set at:

- 400% for personnel of Managers (including *Risk Takers*)³;
- 200% for *Risk Takers* identified at a Group level not belonging to Corporate Control Functions and for personnel belonging to the commercial area dedicated to the *captive* market;
- 100% of fixed remuneration for the other roles not belonging to the Corporate Control Functions;
- 33% remuneration for the roles belonging to the Corporate Control Functions.

The remuneration cannot be paid in any form, instrument or manner that circumvents the regulatory provisions.

² This term means all Managers of Organisational Units not already included in Risk Taker clusters.

³ In compliance with the possibility provided for by Supervisory Provisions on remuneration ("Remuneration and incentive policies and practices", Part IV - Chapter 2 of the Bank of Italy Circular no. 285 of 17 December 2013, adopted to enact the Directive CRD IV) published in the Gazzetta Ufficiale della Repubblica Italiana [Official Gazette of the Republic of Italy] on 12 November 2018

ANNUAL INCENTIVE SYSTEMS

The annual incentive systems adopted by the SGR, in compliance with Intesa Sanpaolo Group provisions:

- are geared towards the achievement of the medium and long term objectives set out in the Business Plan;
- take into account the *Risk Appetite* and *Risk Tolerance* - as defined in the *Risk Appetite Framework* of the Intesa Sanpaolo Group -, as well as the risk/return profile of various managed assets;
- are aimed at promoting objectives that create value for the current year, in a framework of sustainability, given that the bonuses paid are related to available financial resources.

The operating mechanisms and main characteristics of the annual incentive systems are described below:

STEP	PURPOSE	MECHANISM	
BONUS POOL	Solidity and sustainability in a prudential approach	Gate and Funding	<ul style="list-style-type: none"> • The bonus pool is activated only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met and if the economic and financial sustainability condition is in place (see para. 4.5.1) • The funding of the bonus pool at Group level (quantum) is based on the available resources deriving from the economic and financial results achieved, adjusted for the non-financial risks incurred (see para. 4.5.2)
BONUS ALLOCATION	Alignment of behaviours and managerial conduct with medium and long-term objectives of the Business Plan and within a risk prevention framework	Group Incentive Systems	INCENTIVE SYSTEMS FOR SPECIFIC CLUSTERS Incentive System for Risk Takers and Group Middle Managers (see para. 4.5.3) Specific incentive initiatives (see para 4.5.4): <ul style="list-style-type: none"> • Non-Performing Loans • Team system – Insurance
			INCENTIVE SYSTEMS FOR SPECIFIC BUSINESS CATEGORIES (see pars. 4.5.4) <div> <div>P&C Insurance Excellence System</div> <div>Private Banking Network</div> <div>Financial Advisors</div> <div>Investment Management (Middle Managers and Professionals)</div> <div>Network of International Subsidiary Banks</div> </div>
BONUS PAY-OUT	Adjustment based on conduct/monitoring the impact of managerial conduct overtime	Individual access conditions	Failure to meet the individual access conditions precludes any bonus pay-out and the settlement of the deferred portions to be paid in the year (see para. 4.5.5)
		Malus conditions	Failure to meet the malus conditions (symmetrical to those envisaged as gate) leads to a reduction, even down to zero, in the deferred portions of the bonus to be paid in the year (see para. 4.5.6)
		Claw-back	Return of bonuses already paid following disciplinary measures imposed in the event of fraudulent behaviour or gross negligence by personnel (see para. 4.5.7)

All the staff incentive and bonus systems of the SGR are subject to the following types of conditions:

- activation conditions at a Group and SGR level inspired by principles of financial sustainability of the variable component of remuneration;
- financing conditions of a structured financing mechanism at a Group and *Asset Management* Division level;
- individual access conditions.

If the above conditions are not met, the incentive systems for the SGR's personnel are not implemented. This system aims at rewarding best performances, with a view to optimising the risk/return ratio, also considering the results of the SGR and managed assets, by assigning objectives *ex-ante* and evaluating *ex-post* the results achieved in relation to assigned objectives.

Stricter remuneration conditions apply to “key personnel” and persons given short term variable remuneration higher than 100% of fixed remuneration, such as:

- deferment, or payment of a part of the bonus in years following the maturity of the up front amount (which occurs in the year following measurement of the performance);

- assignment of a part in cash and a part as units of UCIs managed by the SGR;
- a retention mechanism for units of assigned managed UCIs;
- an ex-post correction mechanism, such as *malus* clauses.

In particular, for “Key personnel” as well as personnel who receive variable remuneration of particularly high amount, the following applies⁴:

- Deferment from 40% to 70% of the variable component, assigned in instalments over a time horizon from 3 to 5 years;
- the assignment of a significant portion (equal to at least 50%) as financial instruments, through the assignment of units of UCIs managed by the SGR, equally balanced between up front remuneration and deferred remuneration;
- a holding period of assigned units of managed UCIs (two years for the up front component and one year for the deferred component).

The deferred part is subject to remaining with the Group, at the end of the deferment period/deadlines indicated for the assignment of units of managed UCIs, save for provisions in the event of termination of employment, as well as *ex-post* correction mechanisms, such as: (i) “*malus conditions*”, according to which the amount paid and/or the number of units of managed UCIs may be reduced, even to zero, in the financial year in which the deferred part is paid); (ii) activation of the claw-back mechanism i.e. to return bonuses already paid, if negative events occur directly attributable to the conduct of the person that affect the sustainability of the results of the Company or managed assets.

The SGR had defined a threshold for identifying the so-called “Significant bonus”, equal to 80,000 euro, below which amounts are paid up front and entirely in cash, on condition that the variable remuneration received is equal to or less than 100% of the fixed remuneration.

With specific reference to the Managers category, variable remuneration is defined taking into account the risk/return profile of various managed assets in order to steer and reward best performances and also to align incentive systems with the interests of investors/customers. This system provides for a direct connection with the performance of managed UCIs in the long-term, that can be considered - with a specific weighting formula - as the performances achieved up to four years prior to the reference year. In determining the variable remuneration of managers, the SGR also takes account of the complexity of the activities of each Manager, as well as the achievement of individual quality objectives the purpose of which is to reward not only the quantitative result, but also how the result was achieved.

Moreover, an annual incentive system specifically for Legal Entities in the “start-up” stage is provided⁵.

This System aims to promote the achievement of the growth objectives set out in the company start-up” plan, for a period of time necessary for the Company to achieve a positive/minimum profitability (up to a maximum of three consecutive years), in a wider Group context in which sound financial, liquidity and sustainability conditions are met.

To determine the incentive due, the Company's performance is measured in relation to the milestones defined in the long-term company plan and, in any case, in terms of improvement year on year, in line with the medium/long term objectives that characterise all Group Incentive Systems.

In compliance with the principle of sustainability, the maximum incentive that may be accrued is in any case moderate and compatible with the Company's economic/financial context.

As part of the second level Collective Agreement of the Intesa Sanpaolo Group, a *Variable Result Bonus* (PVR), has been set up for Professionals.⁶ The is one of the productivity bonuses referred to in the National Collective Bargaining Agreement for the Credit Sector, and is negotiated with Trade Union Organisations.

⁴ It is expressly prohibited for an individual employee to undertake personal hedging strategies or insurance policies on remuneration or on other aspects that may alter or invalidate the effects of alignment to the risk of the remuneration mechanisms described.

⁵ Entities with a “turn-around” plan, for the period of time necessary for the Company to achieve a positive and/or minimum profitability level up to a maximum of three consecutive years, are considered as equivalent to Legal Entities in the start-up stage.

⁶ As defined by Article 52 of the National Collective Bargaining Agreement adopted for managers and personnel of professional areas who are employees of credit, financial and instrumental undertakings.

The PVR has a distribution/participation purpose, as it rewards employees for their collective contribution to achieving the year's results, and an incentive purpose, because - only as regards the so-called excellency quota, it rewards team merit and performance.

The operating mechanisms and main characteristics of the PVR are shown below.

STEP	PURPOSE	MECHANISM	
POOL	Solidity and sustainability in a prudential approach	Gate and Funding	<ul style="list-style-type: none"> the PVR pool is activated only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met. (see para. 4.7.1). the PVR is funded by a Group bonus pool through a mechanism that provides for a gradual increase of the financial resources serving the PVR up to a maximum amount (cap) if the Group Gross Income exceeds the Access Threshold (see para. 4.7.2)
ALLOCATION	Distributional	BASE BONUS	<ul style="list-style-type: none"> independent from contractual agreement and professional role/seniority aimed at rewarding all Group employees for their collective contribution to achieving the annual results as well as at supporting, also for internal equity purposes, the lower remuneration
	Participatory	ADDITIONAL BONUS	<ul style="list-style-type: none"> differentiated by professional role or seniority and professional category cluster aimed at enhancing the specific contribution to the Group's results considering the professional role
	Incentive	EXCELLENCE BONUS	<p>This bonus is based on the performance level reached and:</p> <ul style="list-style-type: none"> for all employees, it is allocated at the Direct Head's discretion, with priority given to the highest levels of professional evaluation, within the limits of the bonus pool allocated, also having regard to the principle of internal equity for the professional profiles of the Branches of the Banca dei Territori network, it is allocated on the basis of the evaluation reached in relation to the Branch Performance Scorecard for the personnel of the Complaints Unit of Banca dei Territori, it is allocated based on the evaluation reached as part of the relevant Team Performance Scorecard
PAY-OUT	Adjustment based on conduct/monitoring the impact of commercial activities over time	Conditions of individual access	Failure to meet the individual access conditions precludes any bonus accrual and pay-out (see para. 4.7.4)
		Claw-back	Return of bonuses already paid following disciplinary measures imposed in the event of fraudulent behaviour or gross negligence by personnel (see para. 4.7.5)

As regards the definition of long term incentive plans, the Intesa Sanpaolo Group continues to search for innovative ways of motivating and retaining its resources, whose involvement and empowerment, at all levels of the organisation, are key factors and drivers for achieving results. In line with the principles of inclusivity and cohesion, the Group considers that share ownership promotes identification (*ownership*), alignment with medium/long term objectives and is a good way to share value created over time.

This has been particularly significant with the launch of the 2018-2021 Business Plan, which requires all people working for the Intesa Sanpaolo Group to be engaged and actively involved.

With reference to Group *Risk Takers* that have a direct impact on the Group's results, it was decided to adopt a tool specifically related to achieving the objectives of the Business Plan, and that has a risk/return profile adequate for the role held and for the ambition and challenge levels of the Plan. Based on these rationale, a Long Term Incentive Plan was devised, based on performance conditions and which includes a POP (*Performance-based Option Plan*).

Conversely, the Group considered that a Retention Plan basically in line with the 2014-2017 LECOIP is suitable for motivating Company *Risk Takers*, Middle Management and other personnel, with the aim of continuing activities to consolidate identification and team spirit, in keeping with the Group's inclusive organisational culture. In view of these considerations, a Retention Plan was devised for Middle Management (not included in the POP) and other personnel called "*LECOIP 2.0*" which is based on current market conditions and values experience that has been acquired.

As regards severance pay, the SGR applies the provisions defined at an Intesa Sanpaolo Group level. In this regard, as provided for by Group Remuneration and Incentive Policies in compliance with Bank of Italy Supervisory Provisions on remuneration, the remuneration agreed in view of or on early termination of the employment contract, or for early termination of the position, for the portion exceeding the provisions of the National Collective Bargaining Agreement (CCNL), regarding the allowance in lieu of notice, constitutes severance pay. The non-compete agreement is included in these, based on the overall amount paid

The principles for the definition of this remuneration in the Intesa Sanpaolo Group, based on the criteria of correlation between severance pay and ongoing performance over time and the containment of potential litigation, are as follows: (i) safeguarding the level of capitalisation required by Regulations; (ii) "no reward for failure"; (iii) the blamelessness of individual conduct (consistent with the compliance breaches logic); (iv) alignment with international and local best practices.

UCI MANAGEMENT MANDATES

In the case of portfolio management or UCI risk management mandates, the SGR ensures that (i) the person given the mandate is subject to obligations on remuneration equivalent to those applicable to the SGR pursuant to the Bank of Italy Regulations of 5 December 2019 (ii) the contract awarding the mandate contains clauses so as to avoid possible circumvention of the law.

DISCLOSURE

The disclosure on the remuneration of employees of the SGR is contained in the management report of the UCITS and AIFs in accordance with the Bank of Italy Regulation on Collective Asset Management.

The Prospectus of the managed UCIs sets out the key contents of the personnel remuneration and incentive policies and practices, with reference made to the SGR's website for related updated detailed information, including the criteria and methods for calculating the remuneration and other benefits and the persons responsible for setting the remuneration and allocating other benefits, as well as the composition of the Remuneration Committee. A paper copy or other durable medium containing this information is made available to investors free of charge on request.

The information also contains a statement certifying that detailed updated information on the personnel remuneration and incentive policy and practices is available on the SGR's website and that a paper copy or copy on other durable medium containing this information is available for investors free of charge on request.

As provided for in the Bank of Italy Regulation of 5 December 2019, the SGR presents an annual report to the Shareholders' Meeting on the procedures for adopting the remuneration and incentive policies (ex post information), broken down by roles and functions.

Lastly, the SGR's Remuneration Policy is made available to all Company employees.

SECTION III: RULES FOR IDENTIFYING PERSONNEL THAT HAVE A SIGNIFICANT IMPACT ON THE RISK PROFILE OF THE GROUP, SGR AND MANAGED ASSETS

Applicable regulations on remuneration and incentives require remuneration policies to be defined and adopted according to a logic which is in proportion to the role, contribution and impact of personnel on the risk profile of the Group and SGR.

The criteria to adopt to evaluate whether the professional activities of personnel have a significant impact on the risk profile of the Company and managed assets must:

- be based on the recognition and evaluation of individual positions (responsibilities, hierarchical levels, activities carried out, operating powers, etc.);
- take account of the internal organisation of the SGR, the characteristics, size, nature, scope and complexity of other activities carried out (e.g. portfolio management, pension fund management), as well as the number and size of managed assets;
- take account of the process to identify personnel that have a significant impact on the risk profile of the Intesa Sanpaolo Group, carried out at a Group level.

Key Personnel are identified in line with the principles contained in the Bank of Italy Regulation of 5 December 2019.

The Board of Directors is responsible for the process to identify personnel that have or may have a significant impact on the risk profile of the SGR and managed assets.

The Remuneration Committee assists the Board of Directors in duties to identify personnel that have or may have a significant impact on the risk profile of the SGR and managed assets, in line with the role and general responsibilities of this Committee concerning remuneration and incentive policies.

The Human Resources Department has an advisory role in defining the criteria and Key Personnel, supported by the Risk Management Function and Compliance & AML Function.

The Internal Audit Function also checks the correct adoption of the process to identify Key Personnel and compliance with applicable regulations.

The rationale for identifying personnel that have or may have a significant impact on the Company's risk profile and relative list are updated annually, prior to preparing the Company's Remuneration and Incentive Policies. Updates to Key Personnel are made instead at least once a year and in any case also during the year, in the event of changes to the SGR's organisational structure or legal developments.

This document is originally written in Italian language. In case of discrepancies between the original Italian text and the present English translation, the Italian version will prevail.