



**SUMMARY OF REMUNERATION POLICY OF
EURIZON CAPITAL S.A.**

March 2021

The "Remuneration and incentive policies of Eurizon Capital S.A." (hereinafter also referred to as the "Policies") are prepared on the basis of the Intesa Sanpaolo Group's Remuneration and Incentive Policies and, although not in conflict, not regulated or more restrictive, in compliance with European ("UCITS" and "AIFM") and national (Law of December 2016) provisions governing the asset management sector. The Policy also take into consideration the provisions of Regulation (EU) 2019/2088 of 27 November 2019 on Sustainability Disclosure in the Financial Services Sector (Sustainability-Related Disclosures Regulation – "SFDR").

The "Remuneration and incentive policies of Eurizon Capital S.A." are structured in three sections:

- Section I: Procedures for the adoption and implementation of Remuneration and Incentive Policies", which describes the roles and responsibilities of the corporate bodies and the company's internal structures for the adoption and updating of the Policies;
- Section II: Principles, systems and instruments for remuneration and incentive", which details the remuneration and incentive systems and the related adoption and activation procedures;
- Section III: Rules for identifying personnel who have a material impact on the risk profile of the Group and the Company or assets under management", which describes the principles and criteria used to identify personnel who have a material impact on the risk profile of the Company.

SECTION I: PROCEDURES FOR THE ADOPTION AND IMPLEMENTATION OF REMUNERATION AND INCENTIVE POLICIES

The Shareholders' Meeting of the Company (i) approves and examines annually the implementation of the Remuneration Policies for the members of the Board of Directors and the Company's personnel, including the remuneration plans based on financial instruments and the criteria for determining the remuneration to be paid upon early termination of the employment relationship, (ii) determines the remuneration of the Directors, (iii) approves, if necessary and where provided for by the Group Remuneration and Incentive Policies and the Ultimate Parent Company Shareholders' Meeting has expressed a positive opinion, with the qualified majorities defined by current legislation, of a limit on the ratio between the variable component and the fixed component of the individual remuneration of personnel exceeding ratio 1:1. The shareholders' meeting is also provided with at least annual information on (i) the manner in which the remuneration and incentive policies have been implemented (so-called ex post information), broken down by roles and functions, including the basket of UCITS to be assigned to the Company's personnel for the purposes of the incentive scheme and (ii) the results of the checks carried out by the Internal Audit function and the adoption of any corrective measures.

The Board of Directors reviews the Company's Remuneration Policies on an annual basis and ensures that they are consistent with the overall choices made in terms of taking on risks, long-term strategy and objectives, corporate governance and internal controls. In defining the Remuneration Policies, the Board of Directors involves the competent corporate functions in the process, each for its own responsibilities.

The Independent Directors Committee¹ has the task of making proposals and providing advice to support the Board of Directors in activities concerning remuneration. The Committee is composed of non-executive members of whom 3 are independent. In order to carry out its duties in an effective and responsible manner, the Committee has access to corporate information relevant for this purpose.

The Human Resources Department coordinates the process of defining and managing the Company's remuneration policies, supporting the Independent Directors Committee. The Risk Management Function participates in the process of defining the Policies, assessing the alignment of the remuneration structure with the Company's risk profile, while the Compliance & AML Function verifies that the Policies are consistent with the objectives of compliance with the rules, the Articles of Association and the Code of Ethics or other standards of conduct applicable to the Company or the Group, in order to limit the assumption of legal and reputational risks. Every year, at the end of the application cycle of the Policies, the Internal Audit Function checks that the remuneration practices comply with the approved Policies and that they are in line with the relevant legislation.

¹ who have been assigned the attributions of the Remuneration Committee

The results of the checks carried out are brought to the attention of the Shareholders' Meeting on an annual basis.

SECTION II: PRINCIPLES, SYSTEMS AND INSTRUMENTS FOR REMUNERATION AND INCENTIVES

The Company's remuneration and incentive policies aim to align management and personnel behaviour with the interests of all Stakeholders, directing their action towards achieving sustainable medium/long-term objectives within the framework of prudent assumption of current and future risks, as well as helping to make the Company and the Group an "Employer of choice" in terms of their ability to attract, motivate and retain the best resources.

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



STAKEHOLDERS' INTEREST

Alignment of conduct adopted by management and personnel with the interests of all **Stakeholders**, focusing on value creation for **Shareholders**, as well as social impact on **Communities**



CORRELATION BETWEEN REMUNERATION AND RISK TAKING

- guidance of forms of behaviour adopted by Management and Personnel towards the achievement of objectives within a **regulatory framework** of risk prevention
- remuneration and Incentive Systems compliant with **financial and non-financial risk** management policies (including legal and reputational risks), in a prudential approach as provided by the Risk Appetite Framework of the Group
- definition of a fixed remuneration high enough to allow the variable component to be reduced significantly, even down to zero, when specific conditions occur



ALIGNMENT WITH MEDIUM AND LONG-TERM OBJECTIVES in accordance with Group, Division and SGR Risk Tolerance

- definition of a set of Incentive Systems in order to:
 - take into consideration the managed assets risk/return profile
 - drive performances over a **multi-year accrual** period and to share medium and long-term results following the realisation of the Business Plan



MERIT

- **remuneration flexibility**: variable components are linked to the results achieved and the risks taken
- **competitiveness**: focus on key staff members with high managerial skills, who can enjoy exclusive, competitive salary brackets, compared to the reference market
- **recognition** of best performers through above-average bonuses



EQUITY

- **correlation** between fixed remuneration and 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 over total remuneration according to professional categories and/or the geographical market, within the same Band or seniority/professional role
- attention to **gender pay-gap**



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

- selective reviews of fixed remuneration based on rigorous **market benchmarking**
- mechanisms for the **adjustment of allocations** to the overall incentive provisions according to Group, Division and Asset Management profitability and the results achieved
- determination of **appropriate caps** both on total incentives and the amount of individual bonuses



REGULATORY COMPLIANCE

- compliance with **legislative and regulatory requirements, conduct codes and other self-regulatory provisions** with a focus on Risk Takers and Control Functions
- **fairness in customer relations**

SEGMENTATION OF PERSONNEL

The Company's remuneration and incentive policies are based on a logic of segmentation of personnel, which allows the principles of merit and fairness to be defined operationally in order to appropriately differentiate total remuneration, as well as to provide for specific mechanisms for its payment for the various clusters of personnel, with particular focus on those with regulatory relevance for which stricter requirements are envisaged.

In application of these logics, the Company's personnel can be divided into three macro-segments:

- Risk Taker;
- Middle Management²;
- Professional.

IDENTIFICATION OF RISK TAKERS

As an asset management company belonging to a banking group, the identification of the "most significant personnel" (the so-called "Risk Taker"), i.e. the categories of persons whose professional activity has or may have a significant impact on the risk profile of the Company or of the managed UCIs, takes place both (i) at Group level, in application of the provisions of the banking regulations (CRD IV) and (ii) at Company level, in accordance with the provisions of the regulations governing the asset management sector.

The "Company Risk Takers" population consists of the following persons:

- i) Executive and non-executive members of the Board of Directors (included Conducting Officers);
- ii) Persons who report directly to the top management (Conducting Officers);
- iii) The personnel of the Company control functions;
- iv) Other persons who, individually or collectively, take on significant risks for the Company or the managed funds;
- v) Persons whose total remuneration falls within the same range as categories ii) and iv) above.

THE STRUCTURE OF REMUNERATION

The remuneration structure of the Company's personnel includes:

- the fixed component, defined on the basis of the contractual framework, the role held, the responsibilities assigned, the particular experience and competence matured by the employee.
- the variable component (short and long term), linked to the services provided by the personnel and symmetrical with respect to the results actually achieved and the risks prudentially assumed.

It is the Group's and the Company's practice to establish ex-ante maximum and balanced limits on variable remuneration for all personnel segments, by defining specific "cap" on the increase in bonuses in relation to any over-performance.

In compliance with current industry regulations and the Intesa Sanpaolo Group's Remuneration Policies, there is a maximum limit on the variable remuneration compared to the fixed remuneration of:

- 400% for Personnel belonging to the Portfolio Managers category (including Risk Takers);
- 200% for Group Risk Takers not belonging to the Company Control Functions and the Personnel belonging to the commercial chain dedicated to the non-captive market;
- 100% of the fixed remuneration for the other roles not belonging to the Company Control Functions;
- 33% of the fixed remuneration for the roles belonging to the Company Control Functions.

Remuneration may not be paid in any form, instrument or manner that circumvents the provisions of the law.

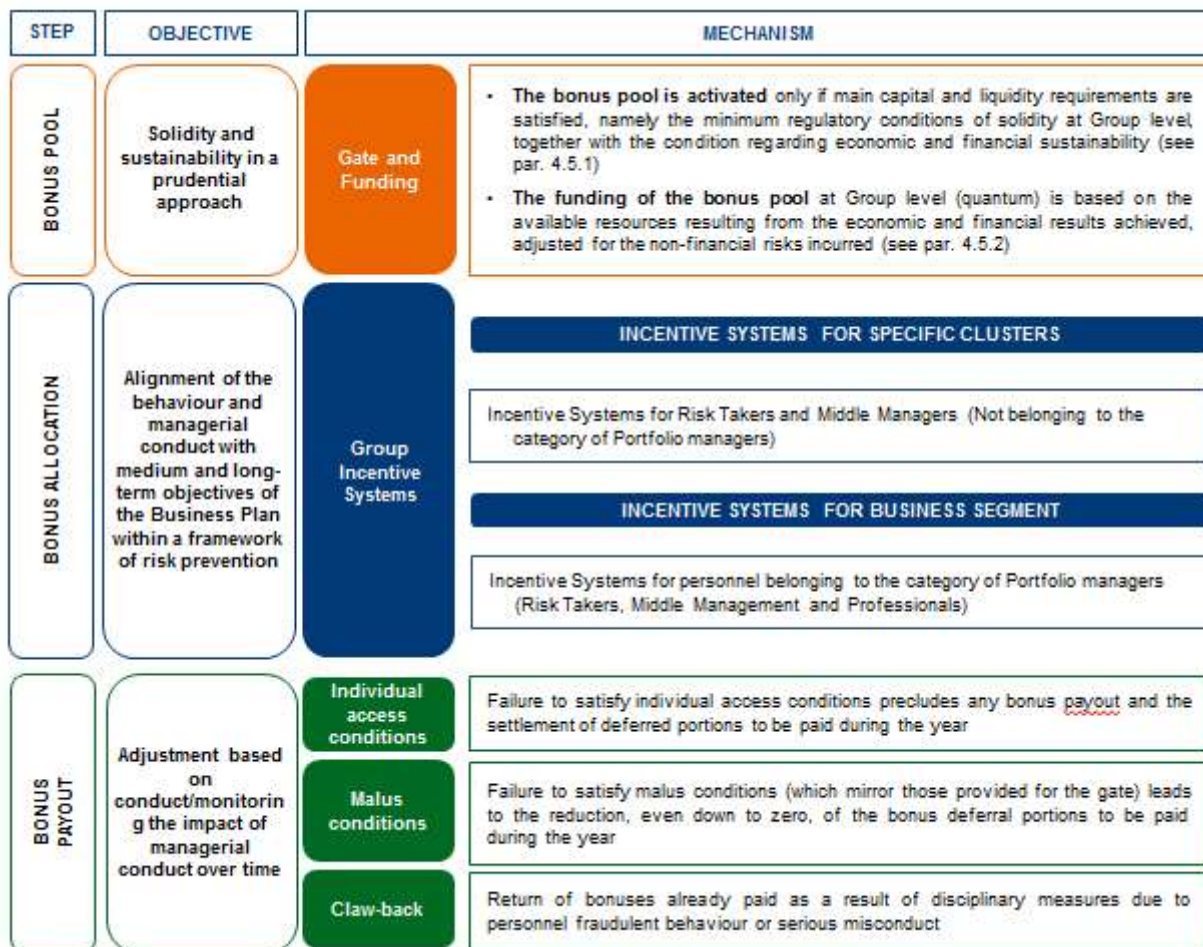
² All the Heads of Units not already included in the Risk Taker cluster are considered.

ANNUAL INCENTIVE SCHEMES

The annual incentive schemes adopted by the Company, in line with the provisions of the Intesa Sanpaolo Group:

- are geared towards achieving the medium and long-term objectives set out in the Corporate Plan;
- take into account the Group's Risk Appetite and Risk Tolerance, as well as the risk/return profile of the various assets managed;
- are aimed at promoting value creation objectives for the current year, within a framework of sustainability, given that the premiums paid are correlated to the financial resources available.

The following is a synoptic diagram of the operating mechanisms and main characteristics of the annual incentive systems:



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

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

Failure to meet the above conditions will result in the non-activation of incentive schemes for the Company's personnel. This system is designed to reward the best performance, with a view to optimizing the risk/return ratio, also taking into account the Company's results and assets under

management, through the assignment of *ex-ante* objectives and the *ex-post* evaluation of the results achieved with respect to the objectives assigned.

The "Most significant personnel" and personnel who receive short-term variable remuneration in excess of 100% of the fixed remuneration are subject to stricter conditions of payment, such as:

- deferral, i.e. the payment of part of the bonus in the years following the year in which the up-front portion accrues (which occurs in the year following the year in which performance is measured);
- allocation partially in cash and partially in units of UCIs managed by the Company;
- provision of a retention mechanism for the units of managed UCITS assigned;
- provision of *ex-post* correction mechanisms such as malus clauses.

In particular, both for the "Most Relevant Personnel" and for those who receive a variable remuneration of a particularly high amount, it is also envisaged³:

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

The deferred portion is subject to the Group remaining in the Group at the end of the deferral period/at the deadlines set for the delivery of the units of managed UCIs, except as provided for in the event of termination of the employment relationship, as well as to *ex-post* correction mechanisms, such as: (i) the so-called "malus condition", according to which the amount recognised and/or the number of units of UCIs managed may be reduced, to zero, in the year in which the deferred portion is paid); (ii) the activation of claw-back mechanisms, or the repayment of bonuses already paid, in the presence of negative events directly attributable to the conduct of the person that have compromised the sustainability of the Company's results or of the assets managed.

In this context, the Company has defined a threshold for the identification of the so-called "Significant Bonus" of 80,000 euros, below which the amounts are paid immediately (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 category of Fund Managers, the definition of variable remuneration takes into account the risk/return profile of the various assets managed in order to orient and reward the best performance and at the same time align the incentive schemes with the interests of the investors/customers. This system provides for a direct link with the performance of the UCIs managed over a multi-year period such as to consider, with a specific weighting formula, the performance achieved up to four years prior to the calendar year of reference. In determining the variable remuneration of the managers' chain, the Company also takes into account the complexity of the management activity of the individual Manager, as well as the achievement of individual qualitative objectives aimed at rewarding not only the quantitative result, but also the ways in which it is achieved.

The Company has adopted specific methodologies for the selection of financial instruments, tailored to the characteristics and objectives of each products managed, which take into consideration environmental, social and governance factors (cd. "Environmental, Social and Governance factors" - ESG) and the principles of Sustainable and Responsible Investment (cd. "Sustainable and Responsible Investments" - SRI). In this context, the Company has defined for personnel belonging to the category of "Portfolio Managers" (Company Risk Takers, Middle Management and Professionals),

³ To individual employee is explicitly forbidden undertake personal hedging or insurance strategies on their remuneration or other aspects that may alter or undermine the effects of the alignment with risk inherent in the various remuneration mechanisms adopted by the Group and the Company.

a bonus adjustment mechanism to enhance the activity carried out in terms of sustainability risk⁴ management (so-called "sustainability adjustment mechanism").

The sustainability-related corrective mechanism is not applicable for products whose sustainability risks are deemed not to be relevant; this is notably the case for products investing primarily in markets for adequate data about environmental, social and governance (ESG) issues does not exist for much of the investment universe.

A specific annual Incentive System is arranged for the Legal Entities in start-up phase⁵.

This System is designed to promote the achievement of the growth objectives set out in the start-up business plan for the period of time that is necessary for the Company to achieve a positive and/or minimum level of profitability (up to a maximum of three consecutive years), within a broader Group framework in which the conditions of capital strength, liquidity and sustainability are verified.

For the purposes of determining the incentive due, the Company's performance is measured with respect to the milestones envisaged in the specific multi-year business plan and, in any case, in terms of improvement year on year, in line with the medium/long-term objectives that characterise all the Group's Incentive Systems.

In accordance with the principle of sustainability, the maximum incentive that can be accrued is in any case limited to and compatible with the economic and financial context of the Company.

With regard to *Severance Pay*, the Company applies the provisions of the Intesa Sanpaolo Group. In this regard, in accordance with the Group's Remuneration and Incentive Policies on remuneration, the remuneration agreed upon in view of or on the occasion of the early termination of the employment relationship or for the early termination of the office, for the portion exceeding the provisions of the Collective Bargaining Agreement regarding the indemnity for failure to give notice, constitutes the so-called *severance*. The non-competition agreement is included among these in relation to the total amount paid.

The principles for the definition of these compensations in the Intesa Sanpaolo Group, inspired by the criteria of correlating the severance pay to the continuous performance provided over time and the mitigation of potential litigation, are as follows: (i) safeguarding the level of capitalisation required by the Regulations; (ii) "no reward for failure"; (iii) blamelessness of individual behaviour (consistency with compliance breach criteria); (iv) alignment with international and local best practices.

UCITS MANAGEMENT DELEGATIONS

In the event of delegation of portfolio management or risk management activities of UCIs, the Company shall verify that (i) the delegate is subject to remuneration obligations equivalent to those applicable to the Company (ii) the contract granting the mandate contains clauses such as to avoid possible circumvention of the regulations.

INFORMATION

Information on the remuneration of the Company's personnel is provided in the UCITS and AIF management report in accordance with the requirements of national legislation on collective asset management.

The Prospectus of the managed UCIs contains the essential contents of the remuneration and incentive policy and practices for personnel, referring to the Company's website for detailed updated information on the same, including the criteria and methods for calculating remuneration and other benefits and the persons responsible for determining remuneration and the allocation of other benefits, as well as the composition of the Committee of Independent Directors. A hard copy or other durable medium containing such information is available to investors free of charge upon request.

The KIID also contains a statement that up-to-date detailed information on the Company's remuneration and staff incentive policy and practice is available on the Company's website and

⁴ An event or condition of an environmental, social or governance nature which, if it occurs, could cause a significant current or potential negative impact on the value of the investment

⁵ The Legal Entities for which a turnaround plan is foreseen for the time needed to reach a positive or minimum return (up to three consecutive years) are considered similar to the Legal Entities in start-up

that a hard copy or other durable medium containing such information is available to investors free of charge on request.

In accordance with the provisions of national legislation, the Company submits to the Shareholders' Meeting an annual report on the manner in which the remuneration and incentive policies have been implemented (so-called ex post information), broken down by role and function.

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

SECTION III: RULES FOR IDENTIFYING STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON THE RISK PROFILE OF THE GROUP, THE COMPANY AND THE MANAGED ASSETS.

Current legislation on remuneration and incentives requires that remuneration policies be defined and applied according to a logic of proportionality related to the role, contribution and impact of personnel on the risk profile of the Group and the Company.

The criteria to be used in order to assess whether the professional activities of personnel have a significant impact on the risk profile of the Company and the assets under management must:

- be based on a recognition and assessment of individual positions (responsibilities, hierarchical levels, activities carried out, operating powers, etc.);
- take into account the internal organisation of the asset management company, the characteristics, size, nature, scope and complexity of the other activities carried out (e.g. portfolio management, pension fund management), as well as the number and size of assets managed;
- take into account the process of identifying personnel that has a substantial impact on the Intesa Sanpaolo Group's risk profile, carried out at Group level.

The identification of Relevant Personnel is carried out in line with national regulations.

The Board of Directors is responsible for the process of identifying personnel who have or may have a significant impact on the Company's risk profile and assets under management.

The Independent Directors Committee supports the Board of Directors in its tasks concerning the identification of personnel who have or may have a significant impact on the Company's risk profile and the assets under management, in line with the general role and responsibilities of this Committee in relation to remuneration and incentive policies.

The Human Resources Department has a proactive role in defining the criteria and the Relevant Personnel, supported by the Risk Management Function and the Compliance & AML Function.

The Internal Audit Function also checks that the process for identifying Relevant Personnel has been correctly implemented and that it complies with the relevant legislation.

The rationale for identifying personnel who have or may have a significant impact on the Company's risk profile and the related list are updated on an annual basis, prior to the preparation of the Company's Remuneration and Incentive Policies. On the other hand, Relevant Personnel are updated at least once a year, and in any case also during the year, in the event of any changes to the Company's organisational structure or to the relevant legislation.