

REMUNERATION POLICY 2024

**BG FUND MANAGEMENT
LUXEMBOURG S.A.**



Approved by the Board of Directors on 24 June 2024

Section I:
Summary of the Remuneration Approach

page 3

Section II:
BGFML's Remuneration Policy

page 6

1. Remuneration Policy Objectives, Regulatory Framework and application of the Principle of Proportionality
2. Persons to Whom Remuneration Policy Applies
3. Remuneration Policy definition process and bodies involved
4. Remuneration and Mechanisms for Linking Remuneration to Performance
5. Performance Indicators and the Main Benchmarks Used
6. Information on Remuneration by Role and Functions

SECTION 1: SUMMARY OF THE REMUNERATION APPROACH

The mission: Guaranteeing competitive remuneration against sustainable performance and growth

Main drivers of remuneration policy

1. Main drivers of the remuneration policy

- ❖ Transparency of the Remuneration Policy towards all stakeholders involved
- ❖ Remuneration policy consistent with the achievement of sustainable performance and growth
- ❖ Scrupulous and constant regulatory compliance
- ❖ Ongoing monitoring of market trends and practices
- ❖ Proper definition of competitive remuneration levels in compliance with the pillars of our Remuneration Policy

2. Compliance with regulations

- ❖ Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms as amended (CRD) ;
- ❖ Directive 2014/91/EU (known as “UCITS V”) of the European Parliament and of the Council of 23 July 2014 - amending Directive 2009/65/EC
- ❖ Delegated Regulation (EU) No. 2021/923 of 25 March 2021 issued by the European Commission, complementing the CRD IV as regards the regulatory technical standards establishing the qualitative and quantitative criteria for the identification of the Most Relevant Personnel (the “RTS”);
- ❖ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (SFDR), with particular reference to Article 5: “*Transparency of remuneration policies in relation to the integration of sustainability risks*”;
- ❖ Luxembourg Law of 17 December 2010, as amended, implementing UCITS Directives;
- ❖ Luxembourg Law of 12 July 2013 implementing AIFM Directive 2011/61/EU (known as “AIFMD”) and the Commission delegated Regulation (EU) No 213/2013;
- ❖ CSSF Circular 18/698 on the Authorization and organization of investment fund managers incorporated under Luxembourg law;
- ❖ ESMA Guidelines on sound remuneration policies under the UCITS Directive of 14 October 2016 (ESMA/2016/575) and ESMA Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/232 as amended by ESMA/2016/579) (both referred as “**ESMA Guidelines**”);
- ❖ ESMA Guidelines on certain aspects of the remuneration requirements of MiFID II of 3 April 2023;
- ❖ Banca Generali Group’s Remuneration Policy.

Remuneration policies have been drawn up with a view to ensuring simultaneous compliance with provisions governing the matter in question and introduced by European laws applicable to the management companies, the regulatory provisions applicable to UCITS and AIF as well as the provisions applicable to the Group’s Parent Company Banca Generali. BGFML carefully monitors regulatory changes in order to adapt this policy to the rules in force from time to time.

3. Key Personnel

- ❖ Identification of Key Personnel at Banking Group level in compliance with CRD;
- ❖ Identification of Key Personnel at Company level in compliance with UCITS V and AIFMD;
- ❖ Application of the principle of proportionality.

4. Mechanisms for linking remuneration to performance

- ❖ Application of parameters aimed at assessing long-term sustainability;
- ❖ Application of the economic/financial targets outlined in the budget for the reference year as targets of the MBO systems, where applicable;
- ❖ Performance targets set in the light of the risk-correction measures most appropriate to the activities performed;
- ❖ Integration of non-financial targets related to qualitative and quantitative sustainability objectives;
- ❖ Variable remuneration linked to KPI aimed at enhancing the weighting of Company and Group risks, taking into account the risks assumed and the liquidity necessary to face the business activity, with a structure designed to prevent the onset of conflicts of interest;
- ❖ Reference to economic/financial objectives of the Banking Group, as target for LTI plans;
- ❖ Application of access gates, payment in shares and malus and claw-back mechanisms.

All types of variable remuneration are correlated with indicators, which aim at appreciating the weighing of risks of the company, the managed funds and the Banking Group, and are determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest.

5. Ratio of variable to fixed remuneration for Key Personnel

- ❖ Cap Mechanism of 1:1 to ensure compliance with the ratio of total variable to total fixed remuneration;
- ❖ the power granted to the General Shareholders' Meeting for raising the said ratio above the level established in the preceding point, provided that specific conditions are met and in any event, up to no more than 2:1.

The Cap Mechanism ensures that the ratio of total variable remuneration paid in a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed the 1:1 (or, where expressly authorised, 2:1). Accordingly, this mechanism, which applies on a cash basis, also takes account of the effects of bonuses accrued in years prior to the introduction of the cap, as well as of deferred bonuses.

6. Incentivisation system linked to yearly performance

- ❖ Adoption of the bonus pool approach of the Group's incentivisation system;
- ❖ Identification of non-financial targets specifically linked to the beneficiary's contribution to projects relevant to the Banking Group (strategic projects, sustainability objectives) and to individual performance;
- ❖ The system envisages the measurement of individual, banking group, managed funds' performance (where applicable).

Each year, the Board of Directors determines a total bonus pool, in keeping with the remuneration policies, to be disbursed assuming that both the necessary financial stability and liquidity conditions and managed funds' performance conditions have been satisfied and the requirements for each position have been met.

SECTION 2: BGFML'S REMUNERATION POLICY

Contents

1. Remuneration Policy Objectives, Regulatory Framework and application of the Principle of Proportionality	6
Regulatory Framework	7
Principle of proportionality	8
2. Persons to Whom Remuneration Policy Applies	9
2.1 Key Personnel	9
3. Remuneration policy definition process and bodies involved	10
3.1 Board of Directors	10
3.2 Control functions	10
4. Remuneration and Mechanisms for Linking Remuneration to Performance	11
4.1 Ratio of the Variable to Fixed Component of Remuneration	11
4.2 Fixed Components of Remuneration	12
4.3 Variable Components of Remuneration for Employees	12
4.4 Determination of the Bonus Pool	14
4.5 Access Gates	14
4.6 Deferral and Share-based Variable Remuneration	15
4.7 Cap Mechanism to Ensure Compliance with the Ratio of Variable to Fixed Remuneration	16
4.8 Malus and Claw-back Mechanisms	17
5. Performance Indicators and the Main Benchmarks Used	18
6. Information on Remuneration by Role and Functions	20
6.1 Members of the Board of Directors	20
6.2 Key Personnel	20
6.3 Other Personnel	23

1. Remuneration Policy Objectives, Regulatory Framework and application of the Principle of Proportionality

BG FUND MANAGEMENT LUXEMBOURG S.A. (hereafter “the Company” or “BGFML”) remuneration policy is aimed at ensuring the best possible alignment of the interests of the Company Shareholders, those of the Management and those of the managed funds, through the consistent pursuit of long-term goals and careful risk management taking also into account sustainability risks in accordance with the SFDR. Sustainability risks reflect the relevant environmental, social and governance aspects as well as the main principal adverse impacts. The remuneration structure is defined in such a way that excessive risk-taking in relation to direct or indirect sustainability risks is not encouraged, in compliance with the indications contained in the relevant legislation.

Moreover, with the aim of strengthening the link between the remuneration policy and sustainability issues, in addition to what is already provided to ensure a solid link between individual performance and business sustainability, the Company's commitment is further explained in the incentive systems through:

- the use of short and medium-long term qualitative and quantitative indicators focused on a range of ESG issues;
- the integration of the malus and claw-back clauses with a reference to compliance with the rules on sustainable finance.

The policy, therefore, integrates and is consistent with the risk of sustainability, both from an individual performance point of view and from a point of view of alignment with the interests of stakeholders.

The remuneration policy promotes and is consistent with sound and effective risk management and does not encourage risk taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the managed funds.

The remuneration policy is in line with the business strategy, objectives, values and interests of the Company as well as the managed funds, and it includes measures to avoid conflicts of interest related to the remuneration system.

A well-balanced system of rewards and incentives is crucial for boosting competitiveness and ensure corporate governance. Moreover, remuneration is useful in terms of attracting and retaining people with talent and skills best suited to the Company's needs.

According to the provisions applicable to the Group's Parent Company Banca Generali, the remuneration policy has been prepared in accordance with the content and tenor of the Directive 2013/36/EU (known as “CRD”) as amended by directive (EU) 2019/878 (known as “CRD V”). On this regard, the regulation includes provisions primarily relating to:

- the introduction, for Key Personnel only, of a maximum limit of 1:1 for the ratio of the variable to fixed component remuneration;
- the power granted to the General Shareholders' Meeting for raising said ratio above the level established in the preceding point, provided that specific conditions are met and in any event up to no more than 2:1;
- reinforcement of the provisions governing ex-post adjustment mechanisms for risks (malus and claw-back) by adding qualitative indicators, tied to the conduct of the personnel, quantitative indicators, achievement of results;
- the establishment of limits on variable remuneration where companies fail to observe specific capital requirements;
- the application of regulatory technical standards (hereinafter also “RTSs”) issued by the European Commission, by proposal from the EBA - in compliance with Bank of Italy's provisions, and transposed in the Commission Delegated Regulation (EU) No. 923 of 25 March 2021 - concerning: (i) the qualitative and quantitative criteria for identifying the Key Personnel; and (ii)

the characteristics of the financial instruments to be used for the payment of variable remuneration.

Moreover, the remuneration policy has been prepared in accordance with the provisions of the UCITS V and AIFM Directives that introduce rules governing remuneration policies of UCITS/AIFs managers and with the provisions of the ESMA Guidelines, which ensure common, uniform and consistent application of the provisions on remuneration of the UCITS and AIFM Directives.

Regulatory Framework

From a regulatory point of view, BGFML Remuneration Policy is drafted in compliance with the regulatory contents and provisions applicable to the Banking Group (whose Policy is drawn up with the aim of ensuring simultaneous compliance with both the provisions governing remuneration policies within the banking industry and the regulatory and governance provisions applicable to issuers); these provisions are:

- **Directive 2013/36/EU** on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD);
- **Delegated Regulation (EU) No. 923/2021** of 25 March 2021 establishing technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- **CONSOB Regulation n. 11971/1999** as amended;
- **Regulation (EU) 2019/2088** on sustainability-related disclosures in the financial sector (SFDR);
- **Bank of Italy Provision of 29 July 2009**, and subsequent amendments;
- **EBA Guidelines of 2 July 2021** on sound remuneration policies pursuant to Directive 2013/36/EU;
- **ESMA Guidelines** on certain aspects of the remuneration requirements of MiFID II of 3 April 2023;
- the Bank of Italy's **Supervisory Provisions governing remuneration policies and practices** (7th update of Circular Letter No. 285 dated 17 December 2013, as subsequently updated).

Moreover, BGFML Remuneration Policy is drafted in compliance with:

- **Directive 2014/91/UE** (known as "UCITS V") of the European Parliament and of the Council of 23 July 2014 - amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions - that introduces rules governing remuneration policies of UCITS managers;
- **ESMA Guidelines on sound remuneration policies under the UCITS Directive** of 14 October 2016 (ESMA/2016/575): these guidelines apply in relation to the remuneration policies and practices for management companies and their identified staff;
- **Directive 2011/61/EU** (known as "AIFMD") of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers;
- **ESMA Guidelines on sound remuneration policies under the AIFMD** of 3 July 2013 (ESMA/2013/232 as amended by ESMA/2016/579): these guidelines apply in relation to the remuneration policies and practices for Alternative Fund Managers exercising their activities under the "Authorisation Regime" and their identified staff;
- **CSSF Circular 18/698** on the Authorization and organization of investment fund managers incorporated under Luxembourg law;

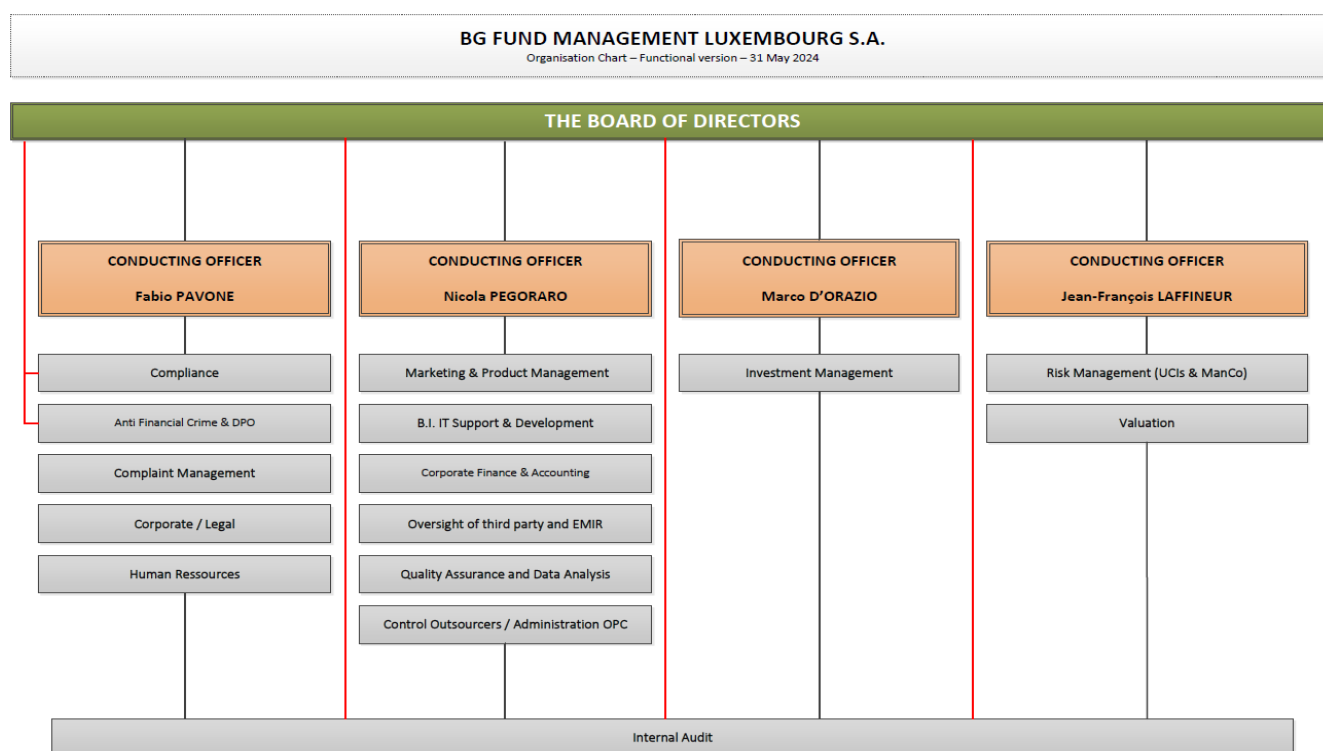
In addition, in order to ensure the consistent implementation of remuneration policies within the Generali Group, the principles and guidelines set out in the Group Remuneration Internal Policy drafted by Assicurazioni Generali in accordance with applicable legislation have been taken into account when preparing this document, without prejudice to the specificities dictated by legislation applicable to the banking sector.

Principle of proportionality

According to Commission Recommendation 2009/384/EC of 30 April 2009 (the “Recommendation”) on remuneration policies in the financial services sector, when taking measures to implement remuneration principles Member States should take into account the size, nature and scope of financial undertakings’ activities. In taking measures to comply with the remuneration principles, management companies should comply in a way and to the extent that is appropriate to their size, internal organization and the nature, scope and complexity of their activities. In this way Article 14b of the UCITS V Directive (same contents as per Annex II of the AIFM Directive) and the Recommendation envisage that provisions should operate in a way to enable the Company/AIFM to take a proportionate approach to comply with remuneration principles.

BGFML applies the principle of proportionality with respect to the different characteristics of the Company (as defined by the ESMA Guidelines) and intends to apply their contents with respect to the different categories of staff as defined by the said Guidelines. In this regard, considering:

- the standardized and deep-structured internal organization of BGFML, as resulting from the following organizational chart (chart at first level):



- the percentage of variable remuneration over the fixed remuneration of BGFML staff, never exceeding 100% of the fixed component for Fund Managers and 70% for other key personnel;
- the existing and relatively stable remuneration structure since inception and membership of a banking group,

BGFML has decided to apply the proportionality principle to the following remuneration principles:

- remuneration committee: BGFML has not established a remuneration committee;
- principles on the pay-out process: a minimum quantitative threshold is defined for the application of the principles of remuneration in instruments and deferral to the Key Personnel. This threshold does not apply to the remuneration in instruments of the General Manager, who is also Key Personnel for the Banking Group.

Moreover, in accordance with the exception established by the article 14b, paragraph 1, letter (m) of the UCITS V Directive, the minimum of 50% of the variable remuneration to be paid in instruments does not apply. In this regard, the Company – according to the Banca Generali Group's Remuneration Policy and considering the aforementioned threshold – established that the variable remuneration of Key Personnel linked to short-term objectives will be paid in shares in accordance with statements reported in §4.6 below.

2. Persons to Whom Remuneration Policy Applies

IDENTIFIED STAFF

Categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the management company's/AIFM risk profile or the risk profiles of the UCITS/AIFs that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the management company/AIFM, whose professional activities have a material impact on the risk profiles of the UCITS/AIFs that the management company/AIFM manage (ESMA Guidelines). In this document the Identified Staff is hereinafter called "Key Personnel".

2.1 Key Personnel

Pursuant to Banking Group's Remuneration Policy, the above-mentioned category of Key Personnel includes the Chairman and Executive Director of BGFML and the General Manager of BGFML who are identified as Key Personnel at Group level. In detail, the General Manager of BGFML is also identified in the scope of Top Key Personnel¹ for the Banking Group.

For the category of Banking Group Key Personnel specific deferral, retention and share-based variable remuneration rules apply. Such Banking Group Key Personnel being identified at the level of the Banking Group follow the requirements set-out under CRD V (Cfr.: point 4.6 below for further details of impacted elements of the remuneration rules).

Moreover, after an evaluation and according to UCITS V and AIFM Directive, BGFML identified its own Key Personnel in terms of categories of staff as described below:

- the above mentioned Chairman and Executive Director and General Manager;
- the Managers: Chief Investment Officer and the Head of Marketing & Corporate Governance, both being Conducting Officers;
- staff responsible for heading the administration: Head of Operations & Corporate Affairs;
- staff responsible for heading the marketing and product management: Head of Marketing and Product Management
- staff responsible for heading the Quality Assurance and Data Analysis
- Control functions: Head of Risk Management and Head of Compliance;
- Other risk takers: Fund managers (including Head of Securities Portfolio and Derivatives Desk and Head of Fund Selection Desk).

¹ At Group level, pursuant to Bank of Italy's "Supervisory Provisions for Banks", the following subjects are included in the "Top-Key Personnel" perimeter: Executive Directors, the general managers, the co-general managers, the deputy general managers and other similar figures, the managers of the main business areas (and of those with the highest risk profile, eg . investment banking), the managers of corporate functions or geographical areas, as well as those who report directly to the bodies with strategic supervision, management and control functions.

Further information on remuneration by role and functions is provided in paragraph n. 6.

Finally, BGFML has reviewed the list of Key Personnel detailed above also in relation to the potential for sustainability risks associated with the professional activity performed by each category of staff.

3. Remuneration policy definition process and bodies involved

The roles of the various corporate functions involved in defining, approving and implementing the Remuneration Policy.

3.1 Board of Directors

The Board of Directors draws up, approves and reviews at least annually the remuneration policy. In this regard, the responsibility for defining remuneration policies lies with the Board of Directors in accordance with the Remuneration Policy defined by the Banking Group's Parent Company (i) within the scope of its power to direct and coordinate the companies belonging to said group and (ii) complying with the CRD Directive that sets forth specific principles and requirements that banks must comply with, in order to ensure that remuneration systems are properly designed and implemented, and (iii) complying with the UCITS V/AIFM Directives introducing rules governing remuneration policies of UCITS/AIFs managers.

The Board of Directors is also responsible for fixing the remuneration of the Conducting Officers and for ensuring that the incentives and remuneration systems are consistent with risk containment policies, with Company long-term objectives, with corporate culture and with the overall system of corporate governance and internal controls.

The guidelines defined by the Board of Directors are implemented by the General Manager with the support and/or under the supervision of the Banking Group Parent Company's Human Resources and Compliance Departments, in cooperation with BGFML's own Compliance function.

The relevant internal control functions are closely involved in reviewing the remuneration system of the Company.

3.2 Control functions

Without prejudice to the overall responsibility of the Board of Directors, the implementation of the Remuneration Policy will be subject to central and independent internal review, on annual basis, by the Banking Group Parent Company's Internal Audit and BGFML's Compliance function, according to their assignments.

The Internal Audit and the Compliance function will report on the outcome of this review to the Board of Directors.

Moreover, the Risk Management function is responsible for checking the adequacy of the relevant risk indicators and the related parameters to which performance levels are to be linked when establishing objectives.

In this regard, the ex-ante assessment of the Remuneration Policy carried out by the Compliance function has shown that, taking due account of the application of the principle of proportionality, the remuneration policy is appropriate and coherent with the applicable requirements, whether imposed under the relevant regulatory framework.

4. Remuneration and Mechanisms for Linking Remuneration to Performance

The total amount of remuneration is based on a combination of: (i) the performance of the individual and of the business unit or funds concerned, and (ii) the risks and overall results of the Company when assessing individual performance, taking into account financial and non-financial criteria.

Where applicable and in relation to the key personnel fully involved in the fund management activity, the assessment of performances is done in a multi-year framework that is appropriate to the holding period recommended to the investors of the funds managed by the Company, in order to ensure that the assessment process is based on the longer-term performance of the funds and its investment risks, and that the actual payment of performance-based components of remuneration is spread over the same period. As of the date of this procedure and for the time being, the assessment of the performance aiming at establishing the amount of the variable remuneration is defined on an annual basis. Due to the nature, complexity and target investment strategies of the funds under management, the Company judges that an annual assessment better fits the review of the performance, and it will deliberate on annual basis if the time horizon for such an assessment needs to be modified.

BGFML, when assessing risk and performance, takes into account both current and future risks that are taken by staff members, business units, concerned funds or the Company as a whole. For this exercise, BGFML examines what the impact of the staff members' activities could be on the funds they manage and Company's short and long term success. To be able to do so, the Company assesses the horizon of risk and performance measurements with the holding period recommended to the investors of the funds managed by the Company, as well as their investment risks. The requirement of the Company to assess, if applicable, the performance of its staff in a multi-year framework appropriate to the holding period recommended to the investors of the funds managed by the Company, implies the accrual period and the payout period for short-term and long-term remuneration covering an appropriate period in total.

Performance-related remuneration includes parameters linked to the risks and performance of the concerned funds and of the business units of the Company, in addition to the risks and performance of the individual activities. Thus, the amount of variable remuneration a staff member is eligible for is determined by his/her individual performance, the performance of his/her business line or the funds concerned, and the performance of the Company. The relative importance of each level of the performance criteria should be determined beforehand and adequately balanced to take into account the position or responsibilities held by staff members.

4.1 *Ratio of the Variable to Fixed Component of Remuneration*

BGFML maintains a prudent balance between sound financial situation and award, payout or vesting of variable remuneration.

The Company ensures that its financial situation will not be adversely affected by:

- the overall pool of variable remuneration that will be awarded for that year; and
- the amount of variable remuneration that will be paid or vested in that year.

The weighing of the variable wage components vis-à-vis the fixed components rises in line with the strategic importance of the position to which the wage relates. The variable part that does not exceed 100% of the fixed components for the Fund Managers and 70% for other key personnel, is composed of cash and shares (in accordance with the principle of proportionality) and will be granted only in case of

positive financial results of the Company and of the managed funds *versus* each of the reference market in respect of specific deferral mechanisms. In this regard, according to the Remuneration Policy defined by the Banking Group's Parent Company, the ratio of total variable compensation (including both up-front and deferred payments) paid to the Key Personnel vis-à-vis total fixed remuneration cannot exceed 1:1 (or, where expressly authorized, 2:1).

The main managerial positions are evaluated and "weighed", using the most common methods of market reference, which makes it possible to implement effective mechanisms for monitoring wage dynamics.

4.2 Fixed Components of Remuneration

The managerial and technical skills endowed by employees in the performance of the roles assigned to them are remunerated via fixed components.

The fixed components refer to the remuneration of the role, responsibilities and managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The fixed component must account for a sufficient proportion of overall remuneration to attract and retain executive talent and provide adequate remuneration for job responsibilities, even in the absence of additional bonuses or other incentives in light of substandard performance, so as to discourage risk-taking in excess of the Company's capabilities with a view to meeting short and medium-to-long term targets.

Within the fixed components of the remuneration, particular attention is paid to the benefits package, which may represent a significant percentage of the fixed remuneration. The benefits package depends on the position held within the Company and/or previous professional experience and/or country of origin (expatriate). The main benefits are: healthcare insurance, pension provision, a budget for a car lease, luncheon vouchers and reimbursement of part of the interests paid for the main residence loan.

4.3 Variable Components of Remuneration for Employees

Variable components are intended to reward short as well as medium-to-long term results. Performance is assessed — taking due account of the population segment and time-span in question — on the basis of the results attained by individuals and by the corporate structures they serve, by the managed funds as well as, in the case of top management, the results achieved by the Company/Group as a whole.

The aim of the recurring variable components of remuneration and long-term incentives (such as, for example, long term incentive plans and deferred bonus systems, as defined hereinafter) is to balance directly the interests of the managed funds and those of the Company's management.

As a result, variable remuneration linked to the performance of the Company and the Banking Group is determined taking due account of the risks, including sustainability risks, assumed and with a view to avoiding conflicts of interest.

These require access gates, whereby failure to meet pre-set stability targets entails forfeiture of the related bonus, as well as malus and claw-back mechanisms, as described below.

SHORT-TERM INCENTIVISATION AND MEDIUM-TO-LONG TERM INCENTIVISATION

In order to align the actual payment of remuneration to the holding period recommended to the investors of the UCITS/AIFs managed by the management company/AIFM and their investment risks, the variable remuneration is partly paid upfront (short-term) and partly deferred (long-term). The short-term component is paid directly after it has been awarded and rewards staff for performance delivered in the accrual period. The long-term component is awarded to staff during and after the deferral period. It rewards staff for the sustainability of the performance in the long term, which is the result of decisions taken in the past. Before paying out the deferred part, a reassessment of the performance and, if necessary, a risk adjustment is required in order to align variable remuneration to risks, as well as errors in the performance and risk assessments that have appeared since the staff members were awarded their variable remuneration component. This so-called ex post risk adjustment is necessary, because at the time remuneration is awarded, the ultimate performance cannot be assessed with certainty.

As a general rule, and as specified in greater details below, Key employees with a variable remuneration based on the Management by Objectives mechanism and/or on a discretionary basis who accrue, within any given financial year, a bonus in excess of a predetermined threshold, are subject to deferral for a set period of time, as described in paragraph 4.6.

MANAGEMENT BY OBJECTIVES: GENERAL SCOPE OF APPLICATION

A Management by Objectives mechanism, consistent with the execution of the core duties and with indicators aimed at assessing the weighting of corporate risk and/or the achievement of the economic and financial results shown by the budget for the reference period, is used for the Management except for Fund Managers. The Management by Objectives system is linked to the principle of Balanced Scorecards. In addition, the Staff members engaged in control processes will be compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

LONG-TERM INCENTIVE PLAN

The Group's Parent Company Banca Generali defined a Long-Term Incentive Plan based on shares of Banca Generali. In accordance with applicable laws and regulations, and with best practices applicable to this area, the plan aims to pursue the goal of increasing the value of Banca Generali's shares, while also aligning the economic interests of the beneficiaries with those of shareholders.

The plan's goals are thus as follows:

- to establish a correlation between the variable components of remuneration tied to medium-to-long term objectives and the creation of value for shareholders, with an eye, in any event, to the sustainability of the Group and its actual results;*
- to develop a culture of performance according to a group approach;*
- to contribute to the creation of a balanced mix of fixed and variable components of the beneficiaries' remuneration;*
- to increase management retention at the level of the Banking Group.*

The Plan states that the number of shares actually assigned is directly correlated with the achievement of specific objectives and verification that specific access gate conditions have been satisfied. Retention mechanisms are also expected to apply.

The General Managers of the Banca Generali Group's subsidiaries may be included among the beneficiaries of this plan.

4.4 Determination of the Bonus Pool

Each year, the Board of Directors determines a total bonus pool, consistently with the remuneration policies, to be disbursed assuming that the necessary financial stability has been satisfied and the requirements for each position have been met.

The total bonus pool, therefore, may not be increased based on the Company's performance, but it may be eliminated if the access gates, discussed in the following section, are not reached.

4.5 Access Gates

For the General Manager and other managers as well as all employees, the right to receive the bonus is linked not only to the results actually achieved, but also to the attainment of an access gate, common to all the personnel, and set by the Banking Group's Parent Company, with a view to:

- i. linking bonus entitlements to multi-year performance indicators, and
- ii. taking account of current and potential risks, interest rates and cash flows required to cover the Banking Group's business operations.

The Banking Group's access gate consists of the following two ratios:

- a. *Common Equity Tier 1 Ratio*², aimed at measuring the extent of the Bank's capital in relation to the degree of risk of the assets held — minimum target ratio of 14%;
- b. *Liquidity Coverage Ratio*³, to increase short-term resilience of the liquidity risk profile of the Bank, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 150%.

The access gate thus consists of two ratios indicative of the Banking Group's solidity and liquidity and, accordingly, its capacity to pay out the variable components of the remuneration.

An on/off threshold is set for each ratio. The requirement for access to the bonus accrued during the year is that both ratios are above the minimum threshold set when the final earning results for the year are recorded.

Moreover, the design of the remuneration systems should be consistent with the risk profiles, rules or instruments of incorporation of the funds the Company manages and with the objectives set out in the strategies of the Company and the funds it manages; possible changes in strategies must also be taken into account. In this regard, the following gate is defined:

- a. *Net Income*, aimed at measuring the financial results of the Company as resulting from the annual income statement – minimum target: greater than 0.

An on/off threshold is set for each ratio/gate. The requirement for access to the bonus accrued during the year is that all ratios/gates are above the minimum threshold set when the final earning results for the year are recorded.

² Common Equity Tier 1 Ratio — meaning the ratio between CET 1 (mainly represented by paid-in ordinary capital) and risk-weighted assets (credit, market and operational risk).

³ Liquidity Coverage Ratio – meaning the ratio between the stock of [1] highly liquid assets (that is to say, easily disposed of for cash on the open market, even during periods of tension, and ideally, subject to placement with a central bank) and [2] the sum total of net outflows during the 30 calendar days following a specified stress scenario. For this purpose, the consolidated figures forwarded to the Bank of Italy at the end of the financial year are considered).

The access gates not only impose conditions on the bonus for the year in question, but also, from one year to the next, on portions of bonuses accrued in previous years and paid out on a deferred basis in subsequent years.

4.6 *Deferral and Share-based Variable Remuneration*

As a general rule, as specified in greater detail below, for all employees not included in the Key Personnel perimeter with a variable remuneration based on the Management by Objectives mechanism and/or on a discretionary, such bonus will be normally paid within the first half of the year after the accrual period and fully in cash pursuant to the principle of proportionality, under the following conditions: (i) the Financial Statements for the financial year in question have been approved by both Company's and Banca Generali's Board of Directors, (ii) the economic and financial stability data have been assessed by both Boards of Directors and (iii) the Financial Statements of the managed funds have been approved by the Board of Directors of the concerned funds.

4.6.1 For Key Personnel of the Company accruing bonuses in excess of a defined threshold equal to 100.000 Euros, the variable component is paid, according to the following assignment mechanism:

- 60% of the bonus will be normally paid, after the Board of Directors verifies financial performance in the year of accrual and satisfaction of access gate requirements, within the first half of the year after the accrual period and fully in cash
- 40% of the bonus will be paid fully in cash, according to a linear pro-rated approach, after the Board of Directors verifies financial performance in the year of accrual and satisfaction of access gate requirements, with a further two years deferral from the date of payment of the first instalment.

Should the actual bonus prove to be below or equal to the predetermined threshold, it will be paid in full once (i) the Financial Statements for the financial year in question have been approved by both Company's and Banca Generali Boards of Directors, (ii) the economic and financial stability data have been assessed by both Boards of Directors and (iii) the Financial Statements of the managed funds have been approved by the Board of Directors of the concerned funds.

4.6.2 For key personnel identified at Banking Group level, as identified above (see point 2.1), where the actual bonus accrued is equal to or less than 50,000.00 euros and, simultaneously, does not represent more than one-third of the beneficiary's total remuneration, it will be paid in full in the year after that of reference (fully in cash), after the Board of Directors verifies financial performance in the year of accrual and satisfaction of access gate requirements.

The variable component linked to short-term objectives of Top and Non-Top Key Personnel identified at Banking Group level whose variable remuneration is more than 50.000 euros but is not a "particularly high amount of variable remuneration", will be paid in accordance with the following assignment and retention mechanism:

- 60% of the bonus will be normally paid, after the Board of Directors verifies financial performance in the year of accrual and satisfaction of access gate requirements, within the first half of the year after the accrual period, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one year;
- 40% of the bonus will be paid, according to a linear pro-rated approach, after a further four years from the payment of the first instalment: 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one year.

The variable component linked to short-term objectives of non- Top key personnel identified at Banking Group level that represents a "particularly high amount of variable remuneration" (424,000.00 euros),

such bonus will be paid according to the following assignment and retention mechanism.

- 40% of the bonus will be normally paid, after the Board of Directors verifies financial performance in the year of accrual and satisfaction of access gate requirements, within the first half of the year after that of reference, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one year;
- 60% of the bonus will be paid, after the Board of Directors verifies financial performance in the year of accrual and satisfaction of access gate requirements, according to a linear pro-rated approach, after a further four years from the payment of the first instalment: 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one year;

For Top Key Personnel at Banking Group level accruing a particularly high amount of variable remuneration (424,000.00 euros), such bonus will be paid according to the following assignment and retention mechanism:

- 40% of the bonus will be normally paid by the first half of the year after that of reference, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one year;
- 60% of the bonus will be paid after a further five years from the payment of the first instalment, 45% in cash and 55% in Banca Generali shares, which will be subject to a retention period of one year.

Any and all deferred bonus instalments shall be deemed to bear interests in line with markets interest rates.

In the event of death or total disability with respect to the agreed employment services, by way of partial departure from the foregoing, any deferred bonus payments will be paid immediately, without waiting until the access gate conditions for subsequent years are met.

The shares will be identified in accordance with Article 14b, paragraph 1, letter (m), of the UCITS V Directive and ESMA Guidelines.

4.7 *Cap Mechanism to Ensure Compliance with the Ratio of Variable to Fixed Remuneration*

The Parent company has established a cap mechanism, applicable to the Key Personnel of the Banking Group, that includes the General Manager of BGFML and the Chairman and Executive Director of BGFML, on the ratio of total variable to total fixed remuneration (including all forms of payment or benefit disbursed, directly or indirectly, in cash, financial instruments, assets in kind not linked to the achievement of individual or Company performance results or the award of which is subject to annual qualitative assessment or other parameters, such as terms of service).

The cap mechanism ensures that the ratio of total variable remuneration paid in a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed 1:1 (or, where expressly authorized, 2:1). Accordingly, this mechanism, which is applied on a cash basis, also takes account of the effects of bonuses accrued in years prior to the introduction of the cap, as well as of deferred bonuses.

The mechanism refers to the variable remuneration instruments awarded from the year in which the cap mechanism was introduced. Consequently, all shares of variable remuneration accrued in the previous years, but not yet disbursed due to deferral, are sterilised for the purposes of this calculation.

Likewise, if the 1:1 (or, where expressly authorized, 2:1) ratio of variable to fixed remuneration is in future modified in an unfavorable manner for one or more individuals, having regard to the year in which the ratio of variable to fixed remuneration is changed, all shares of variable remuneration accrued in years prior to the year concerned, but not yet disbursed due to deferral, will be sterilised for the purposes

of the calculation.

Accordingly to the provisions of the UCITS V/AIFM Directives, the application of the above mentioned mechanism is extended to all the Key Personnel of BGFML.

4.8 *Malus and Claw-back Mechanisms*

The variable components of the remuneration of all employees qualifying for variable remuneration, under incentive plans based on the Management by Objectives and/or on a discretionary basis, are subject to:

- a specific malus mechanism as a result of which the variable components of the remuneration are not paid, in whole or in part:
 - in the presence of elements that have led to a significant worsening of the performance levels net of the risks actually assumed (in the case of RORAC ≤ 0 calculated at the level of the Parent company);
 - ascertained conduct - such as conduct that does not comply with legal, regulatory or statutory provisions or any codes of ethics or conduct applicable to the Company (hereinafter "compliance breach") - intentional or grossly negligent to the detriment of customers, the Company or the Banking Group;
 - ascertained conduct - such as compliance breach (as defined above) - which resulted in a significant loss for the Company or the Banking Group;
 - disciplinary measures or non-ordinary inspections in progress¹;
 - failure to comply with rules concerning banking transparency, anti-money laundering, sustainable finance and remuneration policies, in accordance with the Supervisory Provisions for Banks established in Italy as well as with Regulatory Provisions on the same topics established in Luxembourg,
- a specific claw-back mechanism, entitling the Company to claw-back (i.e. demand the return), in whole or in part, the variable remuneration up to five years after it is paid, in the event of:
 - proved engagement in wilful misconduct or gross negligence, including compliance breaches, to the detriment of customers, the Company or the Banking Group;
 - proved engagement in behaviour, including compliance breaches, resulting in a significant loss for the Company or the Banking Group;
 - disciplinary proceedings;
 - failure to comply with rules concerning banking transparency, anti-money laundering, sustainable finance and remuneration policies, in accordance with the Supervisory Provisions for Banks established in Italy as well as with Regulatory Provisions on the same topics established in Luxembourg .

Likewise, the Company may demand the return of bonuses paid in case of material errors in figuring the items used to calculate the Group's access gates.

¹ In the event of disciplinary proceedings in progress when variable remuneration is to be paid, payment will be suspended until the disciplinary proceedings are complete. At the end of the proceedings, if the person in question is found to have engaged in the alleged misconduct and is punished accordingly, the malus mechanisms apply.

5. Performance Indicators and the Main Benchmarks Used

As described above, the variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved. The Management by Objectives mechanism — and the Balance Scorecard system in particular — which forms the basis of the variable remuneration (hereunder also referred to as “bonus”) is based on defining and allocating to each identified manager specific objectives, each one linked to a target and each with a special weighing. The objectives and the relevant targets are defined based on the guidelines described below, differentiated according to the sphere of work and responsibility attributed to the manager.

A percentage of the variable remuneration, as exemplified below, is linked to quantitative objectives pertaining to the results of the Banking Group:

1. Income statement/Profitability objectives
 - operating profit
 - consolidated net profit
 - Return on Risk Capital (the ratio between operating profit and risk capital, where the second value represents the amount of own capital that the Bank will have to commit to cover a certain amount of risks).
 - Cost control
2. Business development objectives
 - net inflows of the Banca Generali Group;
 - evolved inflows;
 - Fee growth

with the addition of risk correction measures.

This rule does not apply to BGFML Fund Managers because, with a view to measuring performance and risks through variables that are as consistent as possible with the decision-making powers vested in each of these functions, quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group may be replaced by individual quantitative objectives associated with the individual function covered within the Group.

The remaining portion of the short-term variable remuneration is linked to the attainment of quantitative and qualitative objectives established in light of the job description of each beneficiary, with a view to ensuring that the related bonuses are based, as far as possible, on performance and risk indicators that are as consistent as possible with the decision-making powers given to each manager.

In particular, in relation to the position filled, the quantitative objectives refer to net inflows, revenues and/or cost objectives for which the manager is responsible, based on the Company budget for the reference year.

The qualitative objectives, which usually set valuation criteria, refer to projects and require the collaboration of all the managers, each one regarding the area within his/her remit, or projects falling under the responsibility of individual departments of general importance.

Indicators related to the implementation of strategic projects are provided in the Balanced Scorecard of all the Most Relevant Personnel.

In addition to these, two further specific focuses are included, managerially assessed on the basis of performance indicators (KPI) related to ESG (Environmental, Social, Governance) objectives of:

> People Value;

> Sustainability commitment.

The quantitative and qualitative objectives are formalized in personal Scorecards on an annual basis. Each objective is assigned a “weight” indicating its level of priority when compared to the others, as well as performance levels (minimum, target and maximum) expressed through appropriate indicators. Expected levels of performance are indicated, for each objective, together with the minimum threshold to be achieved in order to qualify for bonus entitlements, the ceiling above which results are to be considered over performance, and any and all caps on bonuses (where applicable).

With regard to the criteria for the assessment of the performance levels achieved for bonus assignment purposes, the results obtained in respect of each objective are verified and duly weighed in the financial year following the year of reference, and the sum of the weighed results achieved in respect of each objective then constitutes the overall performance level which serves as the basis for quantifying the bonus, subject to satisfaction of the pre-established access gates to be met (attainment of the minimum threshold giving access to bonus entitlements). The foregoing procedure is designed to ensure a direct correlation between results obtained and bonuses earned.

The performance levels identified in the objectives are directly linked to the forecasts of the budget approved by the Board of Directors and the achievement of the results is verified through the consolidated financial statements of the Banking Group.

Fund Managers have their own Management by Objective plans, linked to the funds they manage.

Variable remuneration linked to long-term performance are determined according to objectives established in terms of the results achieved by the Banking Group and the Generali Group for the three-year period of reference. In addition, the actual appropriation of the shares is contingent upon annual verification of access gates.

6. Information on Remuneration by Role and Functions

6.1 *Members of the Board of Directors*

Board members' remuneration is determined at the time of appointment by the General Shareholders' Meeting.

The wages paid to various members of the Board of Directors only comprise a fixed component as defined by the Shareholders' meeting and are independent of the Company performance with the exception of the Chairman and Executive Director and of the General Manager as stated below.

6.2 *Key Personnel*

6.2.1 Chairman and Executive Director

The Chairman and Executive Director's remuneration comprises a fixed component and a short-term variable component defined by the Shareholders' meeting.

The variable component is linked to the achievement of targets in relation to the position held. In particular, the targets are referred to quantitative and qualitative objectives linked to economic and financial performances of BGFML. The variable remuneration is established by means of the following common approach.

The performance levels proposed in the stated objectives are directly related to the budget forecasts of BGFML approved by the Board of Directors for the financial year.

The Balanced Scorecard assigns "weights" to each objective in relation to the objectives as a whole and the performance levels (Threshold, Target and Over-performance) expressed through appropriate parameters. It also defines, for each objective, the positioning of the expected results compared to the performance standards, the minimum access threshold for the payment of bonuses and the maximum threshold in the event of over-performance, as well as the maximum achievable bonus amount.

With respect to the criteria for assessing achievement of the performance objectives for disbursement of the bonus, in the financial year following the reference year the level of performance achieved is verified in relation to each objective, which is then weighed. The total of the performance levels achieved for each objective is therefore the weighed overall performance on the basis of which the bonus amount is quantified, provided the conditions which, without prejudice to the access gate indicated below, give rise to the relevant rights are met (reaching at least the minimum access threshold).

A minimum access threshold for the payment of bonuses is set at an overall performance score of 0.5. Below this threshold, the bonus is not paid.

For the purposes of achieving the above-mentioned access threshold, the multiplier effect resulting from exceeding the minimum level for each objective will not be taken into account. Consequently, if the minimum level is exceeded, the weighted performance score to be used for the calculation of the access threshold is, however, the score related to the achievement of a performance score of 1. Above this threshold, in order to calculate the total performance, each weighed performance score will be taken into account for the actual achieved results.

The principles of achievement of the access gate, deferral and payment in shares, as well as the malus and claw-back mechanisms illustrated above, apply to such variable remuneration.

The Chairman and Executive Director is also identified as Key personnel at Banking Group level.

6.2.2 General Manager

The Management by Objectives mechanism, which forms the basis of the variable wage component (also known hereinafter as the bonus) for the General Manager is based on the definition and assignment to

each individual of specific objectives for which a target value is calculated, each of which is given a weighing. The variable wage is, therefore, linked in a linear way to the degree to which the targets set for the individual objectives are reached.

A percentage of the variable wage, is linked to quantitative objectives pertaining to the Banking Group's consolidated financial statement results.

Said objectives contribute to determine up to no more than 35% of the variable wage.

The remaining variable wage percentage is linked to the achievement of quantitative and qualitative targets in relation to the position held. In particular, with regard to the position held, quantitative objectives relate to performance, revenue and/or cost objectives for which the General Manager is responsible on the basis of the corporate budget. Qualitative objectives relate to projects of strategic importance relating to the company.

The performance levels identified in the objectives are linked to the approved budget forecasts and, where the achievement of results is linked to economic performance, the latter is verified on the basis of the Company financial statements and the Banking Group's consolidated financial statements.

Moreover, the General Manager may be included among the beneficiaries of Long-Term Incentive Plans defined by the Group's Parent Company Banca Generali.

The variable remuneration may reach a maximum of 70% of the total fixed remuneration, if the maximum level of total performance is achieved and does not provide for any guaranteed minimum. The principles of deferral, payment in Banca Generali shares, achievement of the access gate, as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration. Moreover, the ratio of the variable to fixed component of the remuneration of the General Manager shall not exceed 1:1; any amount in excess shall be subject to the cap mechanism described above.

The principles of achievement of the access gate, deferral and payment in shares as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration.

The General Manager is also identified as Top Key personnel at Banking Group level.

6.2.3 Chief Investment Officer

Considering that the Chief Investment Officer is also acting as Conducting Officer of the Company in addition to the supervision of the Investment Management activities, his Balance Scorecard will result in a combination of objectives related to those different activities.

As for the General Manager, to each objective, a target value and a specific weighing will be defined.

A percentage of the variable wage, is linked to quantitative objectives pertaining to the Banking Group's consolidated financial statement results.

For Balanced Scorecard holders, said objectives contribute to determine up to no more than 15% of the variable wage.

The remaining variable wage percentage is linked to the achievement of quantitative and qualitative targets in relation to the position held.

In particular, Quantitative Objectives relate to performance, revenue objectives for which the Chief Investment Officer is responsible on the basis of the corporate budget.

Qualitative Objectives relate to projects of strategic importance relating to the Company.

Specific Objectives related to the Fund Management Activities.

The performance levels identified in the objectives are linked to the approved budget forecasts and, where the achievement of results is linked to economic performance, the latter is verified on the basis of the Company financial statements and the Banking Group's consolidated financial statements.

The variable remuneration may reach a maximum of 100% of the RAL, if the maximum level of total performance is achieved and does not provide for any guaranteed minimum.

The principles of achievement of the access gate, deferral as well as the malus and claw-back

mechanisms illustrated above apply to such variable remuneration.

6.2.4 Conducting Officer - Head of Marketing & Corporate Governance

The Management Objectives Mechanism applicable to the Conducting Officer in charge of Marketing and Corporate Governance follow the same principles and rules as those defined for the General Manager. The weight and the nature of the individual objectives may however vary.

The principles of achievement of the access gate, deferral as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration.

6.2.5 Heads of Control Functions

The Management Objectives Mechanism applicable to the Heads of the Control Functions follows the same principles and rules as those defined under point 6.2.2. The weight and the nature of the individual objectives will however vary, as they are defined according to the achievement of the objectives linked to their functions, independent of the performance and the results of the areas they control.

The principles of achievement of the access gate, deferral, as well as the malus and claw-back mechanisms illustrated above, apply to such variable remuneration.

6.2.6 Other Heads of Departments and selected professionals

The Management Objectives Mechanism applicable to the remaining Heads of Departments and selected professionals follows the same principles and rules as those defined for the General Manager. The weight and the nature of the individual objectives may however vary.

The principles of achievement of the access gate, deferral as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration.

6.2.7 Fund Managers

A specific variable remuneration based on Management by Objectives is instituted in favor of employees falling within the category of Fund Managers.

Accordingly, their remuneration is made up of fixed annual remuneration and a variable component determined on the basis of the extent to which the performance objectives specified in the relevant Balanced Scorecards have been attained. The principles of deferral, achievement of the access gate, payment in shares as well as the malus and claw-back mechanisms illustrated above apply to such variable remuneration.

The variable component of remuneration may reach a maximum of 100% of the annual gross remuneration. No guaranteed minimum is provided for.

When it comes to Individual Objectives, Fund Managers' Management by Objectives mechanism allows bonus payment when the performances of the sub-funds managed are within the 1st quartile or are higher than the reference benchmark (the higher of the two parameters is taken).

For fund managers responsible for managing more than one sub-fund, the weighted average is calculated in relation to the weighing assigned to the individual products managed on the basis of the assessment of aspects of said products' managerial and strategic complexity and the contribution that each individual manager may make to the achievement of the performance, in relation to his/her own skills and participation in management of said product.

The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or guaranteed minimum clauses in the event of early severance of employment, beyond those currently in effect, may be agreed in accordance with the principles laid down in the Banking Group's Remuneration Report.

6.3 *Other Personnel*

With regard to the variable wage for employees belonging to other professional areas, the system for calculating bonuses, which is done on a yearly basis, is linked to the process of service provision evaluation and decided on a discretionary basis.

Staff members engaged in control processes will be independent from the business units they oversee and will be compensated, on a discretionary basis, in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.