

# REMUNERATION POLICY

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## 1 GENERAL

### 1.1 Regulatory context and purpose of the document

This policy (hereinafter, the “**Policy**”) has been approved by the Board of Directors (“**BoD**”) of **Praemia REIM Italy SGR S.p.A.** (hereinafter referred to as the “**SGR**” or the “**Company**”), in compliance with and pursuant to the provisions of current legislation, under which asset management companies are required to apply remuneration policies and practices to categories of staff who take risks that reflect and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, regulations, or constitutional documents of the AIFs they manage.

Specifically, the rules governing the subject matter of this Policy can be summarized as follows:

- Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011, on alternative investment fund managers, amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010;
- ESMA Guidelines No. 2013/232 of July 3, 2013 on sound remuneration policies under the AIFMD;
- Directive 2014/91/EU (known as the “UCITS V Directive”);
- Final Report on Guidelines on sound remuneration policies under Directive (EU) 2019/2034 EBA/GL/2021/13 of November 22, 2021;
- Bank of Italy Regulation implementing Articles 4-*undecies* and 6, paragraph 1, letters b) and *c-bis*) of Legislative Decree No. 58/1998 (the “**BDI Measure**”);
- Regulation (EU) No. 2088/2019 on sustainability disclosure in the financial services sector;
- Supervisory provisions for financial intermediaries, Circular No. 288 of April 3, 2015, issued by the Bank of Italy.

This Policy aims to regulate the remuneration process in accordance with current regulations and with the characteristics, size of the Company and the products managed, the internal organization, and the nature, scope, complexity, and riskiness of the SGR’s activities.

In particular, this Policy aims to:

- promote behavior geared towards the sustainable growth of the Company and the increase in shareholder value, taking care not to encourage excessive and unjustified risk-taking (including sustainability risks<sup>1</sup>);

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<sup>1</sup> Pursuant to Regulation (EU) 2019/2088, “sustainability risk” means an “environmental, social, or governance event or condition that, if it occurs, could cause a significant negative impact on the value of the investment, as specified in

- ensure remuneration that attracts and retains personnel with the skills, experience, and aptitudes necessary to support the Company's development and offer quality service to clients;
- determine compensation consistent with the economic results and the financial position of the asset management company and the AIFs managed;
- determining the overall remuneration of individuals based on their role and experience (fixed component of remuneration) and on company results and work performance (variable or discretionary component), as well as on the conditions prevailing in the relevant labor market.

The Company aims to attract, retain, and motivate a diverse and highly qualified workforce capable of creating a competitive advantage, as well as to reward those who reflect its standards of conduct in the management of economic activity.

The approach of this Policy is therefore performance-oriented, takes market trends into account, and is aligned with business strategies and stakeholder interests.

To ensure competitiveness and effectiveness of remuneration, as well as transparency and internal fairness, the principles on which this Policy is based are as follows:

- clear and transparent governance;
- compliance with regulatory requirements and principles of good business conduct and sound and effective risk management;
- continuous monitoring of market trends and practices;
- sustainable remuneration for sustainable performance;
- motivation of all employees, with particular attention to the retention of talent and key resources.

At the same time, the Policy is in line with the Company's strategies, objectives, values, and interests; it does not encourage the assumption of risk that is incompatible with the investment policy of the AIFs managed and allows the Company to align the interests of the AIFs with those of investors and the relevant personnel who manage these financial instruments.

ESG (Environmental, Social, and Governance) criteria are therefore incorporated into the Company's remuneration process, with control responsibilities distributed across multiple levels of the organization and the involvement of multiple actors in the various stages of the process, in order

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*sectoral legislation, in particular in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, or in the delegated acts and regulatory technical standards adopted pursuant to those directives" (see recital 14 of the aforementioned regulation).*

to continuously monitor the consistency between ESG investment objectives and the risk limits of the various AIFs.

This document therefore regulates the following aspects:

- the tasks and responsibilities in the governance of the remuneration and incentive system;
- the system for classifying company personnel in order to identify the so-called “most relevant personnel”;
- the structure of the remuneration and incentive system adopted by the SGR;
- internal and external information flows.

This Policy shall take effect on January 1, 2025, and amends the previous policies adopted by the Company.

## 1.2 Definitions

In this Policy, when reference is made to:

- “**Remuneration**” means any form of payment or benefit paid to SGR staff, directly or indirectly, in cash, financial instruments – including units or shares of the AIFs managed – or benefits in kind (fringe benefits), in exchange for work performed or professional services rendered by staff to SGR.

The possibility of remuneration being paid through vehicles, instruments, or other modes not provided for by law is excluded.

- “**Variable remuneration**” means:
  - i. any payment or benefit whose recognition or disbursement depends on performance, however measured (e.g., results of the AIFs managed, overall results of the manager, etc.), or on other parameters (e.g., length of service), excluding severance pay established by general legislation on employment relationships;
  - ii. carried interests, i.e., the share of profits of an AIF that may be received by staff for the management of the AIF itself;
  - iii. “discretionary pension benefits”, meaning those that may be granted by the manager to an individual or limited groups of staff, on an individual and discretionary basis, excluding rights accrued under the pension system adopted by the entity for all staff.

The concept of Variable Remuneration excludes marginal payments or benefits granted to staff on a non-discretionary basis and which do not have an impact on incentives for hiring or risk control.

- “**Personnel**” refers to the members of the corporate bodies, employees and collaborators of the Company and those working in the distribution networks.
- “**Key Personnel**” refers to categories of individuals whose professional activities have or may have a significant impact on the risk profile of the Company or the AIFs managed, taking into account individual positions (responsibilities, hierarchical levels, activities performed, operational powers, etc.). In particular, this includes:
  - i. executive and non-executive members of the bodies with strategic supervision and management functions of the SGR (such as: directors, the chief executive officer, the general manager, the independent director);
  - ii. the heads of the main business lines, as well as those who report directly to the bodies with strategic supervision, management, and control functions;
  - iii. staff of corporate control functions (risk management, internal audit, compliance);
  - iv. other individuals who, individually or collectively, take on significant risks for the SGR or the AIFs managed (so-called “other risk takers”);
  - v. individuals who, due to the activities they perform, may have a significant impact on the risk profile of the SGR and the AIFs managed and whose total remuneration falls within the same remuneration bracket as the above categories.

## 2 ROLES AND RESPONSIBILITIES

The roles of the main parties involved in the process of defining, approving, implementing, and reviewing the SGR’s remuneration and incentive system are outlined below.

### 2.1 Shareholders’ Meeting

Pursuant to Article 19, paragraph 2, of the Company’s Articles of Association, the Ordinary Shareholders’ Meeting:

- determines the remuneration payable to the bodies appointed by it;
- approves the remuneration policies for the bodies with supervisory, management, and control functions and for the staff;
- approves plans based on financial instruments;
- defines the criteria for determining the compensation to be paid in view of or upon early termination of employment or early termination of office (so-called golden parachute), including the limits set on such compensation in terms of annual fixed remuneration and the maximum amount resulting from their application.

The approval of remuneration and incentive policies by the Shareholders' Meeting is intended to increase shareholder awareness and monitoring of the overall costs, benefits, and risks of the chosen remuneration and incentive system.

## **2.2 Board of Directors**

The BoD defines the remuneration policy and submits it to the Shareholders' Meeting for approval.

It is also responsible for implementing the approved policies and, in particular, ensures that the remuneration systems are consistent with the overall choices of the asset management company in terms of risk-taking, strategies, long-term objectives, corporate governance and internal controls. It reports annually to the Shareholders' Meeting on how the above procedure is implemented.

The BoD reviews the remuneration and incentive policies at least once a year.

## **2.3 Chief Executive Officer**

The Chief Executive Officer proposes the annual review of remuneration and incentive policies to the Board of Directors.

## **2.4 Corporate control functions**

The corporate control functions collaborate, each according to their respective areas of expertise, to ensure that the remuneration and incentive policies adopted are adequate and compliant with the relevant regulatory requirements, as well as to verify their proper functioning.

# **3 PRINCIPLE OF PROPORTIONALITY**

In order to define how to apply the BDI Measure and, therefore, to prepare a policy consistent with its characteristics and size, the SGR carried out a self-assessment with the aim of evaluating the level of application of the regulatory requirements.

Based on the assessments carried out and in line with the criteria identified in the BDI Measure, the SGR is classified as a "non-significant" manager and therefore does not have to apply some of the more stringent requirements of the regulations set out in the BDI Measure.

# **4 IDENTIFICATION OF THE MOST RELEVANT PERSONNEL**

The process of identifying the Most Relevant Personnel allows the application of the entire discipline to be graded according to the actual ability of individual company figures to affect the risk profile of the SGR.

In this perspective, the BoD has identified the Most Relevant Personnel within the current organizational structure of the Company on the basis of the qualitative and quantitative criteria set out in the BDI Measure.

## **5 THE STRUCTURE OF REMUNERATION AND INCENTIVE SYSTEMS**

### **5.1 General principles**

The SGR's remuneration and incentive policies are defined in line with sound and efficient risk management. They are also consistent with the economic results and the financial position of the Company and the products it manages.

In accordance with the principles that inspire its activities and the resulting regulatory constraints, the following general criteria have been established:

- remuneration policies are gender-neutral and contribute to the pursuit of complete equality among staff. They ensure that, for the same work performed, staff receive the same level of remuneration, including in terms of the conditions for its recognition and payment. The Company is, in fact, against all forms of discrimination, in line with its ethical values and social role, aware that diversity is a factor that enriches the organization and a competitive advantage over its competitors;
- the Policy aims to reward equal performance and experience regardless of employee characteristics such as gender, race, religion, or civil status, as established by national regulations, industry guidelines, and best practices;
- the fixed component is determined based on the role and experience of each member of staff and is defined at the time of hiring;
- all staff - except as provided for in this Policy and subject to the absence of variable remuneration in employment contracts - will have access to a remuneration system consisting of a variable remuneration component (known as a bonus). The variable component:
  - reflects the actual and lasting performance of the company and, within it, of the director/employee;
  - will also incorporate the achievement of qualitative objectives, in the definition of which the Company will not encourage excessive exposure to sustainability risks;
  - it will be subject to *ex post* correction mechanisms appropriate to reflect the performance levels of the SGR and the AIFs it manages;
  - in any case, it will only be paid or allocated if (i) it is compatible with the financial situation of the SGR and the AIFs it manages and (ii) it does not limit the SGR's ability to maintain or achieve a level of capitalization adequate to the risks assumed;
  - it will take due account of market practices;



- it shall be paid mainly in cash;
- take into account objective criteria, both quantitative and qualitative, and, where applicable, compliance with ESG criteria;
- shall be defined by the BoD:
  - in accordance with the guidelines contained in this Policy;
  - on the basis of objective parameters established *ex ante* on an annual basis (e.g., objectives shared with staff and subject to periodic review);
  - in any case, without any automaticity;
- the actual payment of the variable component will be subject to deferral criteria within a period not exceeding three years following the year in which it accrued, in order to allow for verification of the actual alignment of conduct with the company's risk profile and for any revision if the payment of the deferred portion of the Variable Remuneration does not appear to be sustainable with the results achieved by the Company;
- the Company may take legal action to obtain reimbursement of variable remuneration already paid if fraudulent conduct or situations arise that require a revision of the Company's accounts.

Variable Remuneration is a mechanism for differentiation and meritocratic selectivity through the remuneration of the achievement of both quantitative and qualitative performance objectives. A balanced performance-based compensation element is a key factor in motivation and alignment with organizational objectives.

In particular, the criteria for ensuring a balance between the variable and fixed components are set out below.

The fixed remuneration of personnel - including that of the Most Significant Personnel and corporate control functions - is commensurate with the responsibilities and commitment associated with the role.

Variable remuneration, where applicable, is strictly separate from fixed remuneration, and the ratio between the fixed and variable components is appropriately balanced, determined in a timely manner and carefully assessed in relation to the different categories of personnel, especially those falling within the category of Key Personnel. The fixed component is sufficiently high to allow the variable component to be significantly reduced and, in extreme cases, even eliminated in relation to the risk-adjusted results actually achieved.

In any case, a maximum limit is set for the variable component of the gross annual remuneration of each employee/collaborator in relation to the fixed component.

The general criteria of the Policy are accessible to all personnel to whom they apply, in compliance with the right to confidentiality of each individual. The personnel concerned are informed in advance

of the criteria used to determine their remuneration and the assessment of the results to which the variable component is linked. The remuneration policy and the assessment process are adequately documented and made transparent to each individual concerned. The SGR may not provide Personnel with information relating to confidential quantitative aspects.

In accordance with current legislation, all personnel are prohibited from using hedging strategies or insurance on remuneration or other aspects that could alter or invalidate the risk alignment effects inherent in remuneration and incentive mechanisms.

## **5.2 Structure of the variable component**

The activation of incentive schemes for all categories of personnel (with the exception of personnel for whom, pursuant to this Policy, only fixed remuneration is provided) is in any case subject to the fulfillment of conditions that guarantee compliance with the corporate indicators, as well as the achievement of certain risk-adjusted profitability levels.

Failure to achieve the corporate indicators will result in the incentive schemes not being activated or being scaled back.

## **5.3 Incentive systems for the benefit of key personnel**

Given the limited operational and organizational complexity of the Company, the SGR has decided, in accordance with the principle of proportionality, not to apply the provisions regarding the recognition of a portion of variable remuneration in financial instruments.

## **5.4 Claw-back mechanisms**

Variable remuneration awarded and/or paid (both up-front and deferred) is subject to potential claw-back in the three years following its payment (considering, in the case of deferred payment, the last payment made) to individuals who have been found to have engaged in fraudulent or grossly negligent conduct to the detriment of the SGR, or conduct that does not comply with the legal and regulatory requirements to which the Company is subject, including cases where such conduct results in excessive sustainability risk-taking.

In such cases, the BoD will assess the seriousness of the conduct and decide whether and to what extent the portion of remuneration already paid is subject to the clause.

# **6 REMUNERATION OF CORPORATE BODIES**

The remuneration of Directors, including those with special duties, is determined by the Shareholders' Meeting as the competent body pursuant to Article 19, paragraph 2, of the Bylaws.

## **6.1 Chairman**

The remuneration of the Chairman of the BoD is exclusively fixed.

## **6.2 Non-executive Directors**

The remuneration of Non-executive Directors is exclusively fixed.

## **6.3 Executive Directors**

For the other Executive Directors, with regard to the operation of the bonus and incentive system, the activation conditions and general criteria defined in Chapter 5 apply, including the rules set out in paragraph 5.4, which regulates the incentive system for Key Management Personnel.

Pursuant to Article 19, paragraph 2, of the Articles of Association, the Shareholders' Meeting is responsible for defining the criteria for determining the compensation to be paid in view of or upon early termination of the employment relationship or early termination of office (so-called golden parachute), including the limits set on such compensation in terms of annual fixed remuneration and the maximum amount resulting from their application.

## **6.4 Board of Statutory Auditors**

The Statutory Auditors:

- receive a fixed remuneration established by the Shareholders' Meeting;
- do not receive any variable component or component linked to company results.

## **6.5 Statutory Auditor**

The remuneration payable to the person appointed to carry out the statutory audit pursuant to Legislative Decree 39/2010 is determined by the Shareholders' Meeting at the time of appointment and for the entire duration of the appointment.

# **7 EMPLOYEE REMUNERATION**

## **7.1 General principles**

The remuneration paid to SGR employees is determined on the basis of the provisions of the National Collective Labor Agreement adopted.

Employee remuneration includes a fixed component, which also includes benefits, and potentially a variable component; there is a strict distinction between these two components.

With regard to employees, the SGR's policy is to give priority to the fixed component of remuneration, without, however, neglecting the variable component through the establishment of incentive systems linked to the achievement of company objectives. The intention is therefore to reward employees with remuneration proportionate to their contribution to the company's objectives as identified from time to time, while also taking into account the pursuit of the best interests of clients.

The guidelines on fixed employee remuneration are based on a number of key principles that can be summarized as follows:

- a) fairness, understood as the attribution or recognition of what is due to each individual resource in terms of professional growth, based on the possession of the required characteristics, roles, and responsibilities, without any discrimination, giving everyone the same career opportunities;
- b) competitiveness, understood as the analysis of the remuneration positioning of each position with respect to specific market benchmarks;
- c) meritocracy, which is expressed in the enhancement of individuals based on the recognition of their merit;
- d) consistency over time, with reference to medium- to long-term objectives and the risk management policies pursued by the SGR.

The remuneration criteria for employees involved in corporate control functions are such as not to compromise their objectivity.

The Policy is based on principles of neutrality with the aim of promoting equal opportunities and treatment regardless of gender, as well as any other form of diversity, basing the criteria for assigning tasks, evaluating performance, and remuneration on professional skills, merit, and individual talent.

In this perspective, the definition of remuneration systems, related decisions, and remuneration packages are closely linked to the role held, the skills and professional experience of the resources, as well as the results achieved, taking into account objective parameters that allow for the recognition and identification of actual performance and the resulting merit.

In particular, in identifying remuneration structures related to the levels associated with the tasks and professional skills required, any discrimination - including gender discrimination - is excluded, including through a clear and correct identification of the conditions for determining, accruing, and paying remuneration.

Staff remuneration data is monitored to ensure that, for equivalent positions, responsibilities, and complexity managed by the various roles, there are no unjustified gender gaps in remuneration. In particular, at least once a year, the BoD reviews the gender pay gap and its evolution over time.

Should any misalignments between positions of equal value emerge, the SGR promptly identifies the appropriate corrective measures to be implemented in order to fully comply with the Policy.

#### *7.1.1 Fixed component of remuneration*

The fixed part of the remuneration consists of the following items:

- salary;

- any allowances and/or payments related to length of service and/or working conditions, as provided for in collective bargaining agreements;
- other items that remain constant over time, provided for in collective bargaining agreements or resulting from individual agreements (for example, any *ad personam* emoluments granted in order to acquire or maintain particular professional skills or when assigning positions of high responsibility on a continuous basis);
- benefits: forms of remuneration in kind (in any case subject to the tax and social security regime provided for by current legislation), also resulting from individual agreements, aimed, for example, at retaining employee loyalty or recognizing a particular performance; benefits include the provision of meal vouchers for working days each month and, in some cases, the provision of a mobile phone subscription for the period of employment with the Company or, potentially, a company car and/or supplementary health insurance and/or professional insurance for the positions held.

Collective bargaining agreements also provide for supplementary welfare and social security systems for employees.

The fixed component is sufficiently high to allow, if necessary, a significant reduction in variable remuneration following negative results and, in some cases, to allow *the bonus* to be completely eliminated. The total remuneration for control functions is mainly composed of fixed remuneration, without prejudice to the possibility of providing for a variable component linked to quantitative/qualitative objectives relating to the specific activity carried out by the resource belonging to a control function.

With regard to benefits, it should be noted that all employees and the Chief Executive Officer are covered by “Employee Health & Benefits” insurance with specific policies covering occupational and non-occupational accidents, life insurance, and reimbursement of medical expenses.

#### *7.1.2 Variable component of remuneration*

In addition to taking into account the principles of equal opportunity for workers, variable remuneration is aimed at achieving predetermined improvement objectives, in line with the company’s strategic plans, with a view to stability/effectiveness of results both with regard to the Company and the products managed.

For the purposes of determining the nature and amount of the variable component, the parameters used to define the performance of the resource can be divided into three different types:

- (i) quantitative parameters indexed to the company’s economic and financial performance;
- (ii) quantitative parameters relating to the function to which the employee belongs and to the specific activity carried out by the employee (therefore also including the

performance of the products managed for the personnel directly involved in this activity);

- (iii) qualitative parameters, *i.e.*, non-economic parameters relating to non-financial results, the pursuit of which contributes to the creation of value for the Company.

## **8 REMUNERATION OF CONTROL FUNCTIONS**

With regard to the remuneration of corporate control functions, there is no variable component quantifiable on the basis of company performance, without prejudice to the possibility of providing for a variable component linked to quantitative/qualitative objectives relating to the specific activity carried out by the resource belonging to a Control Function.

## **9 DISCLOSURE**

Information on the remuneration paid to Directors and Statutory Auditors is provided in Section 5 of the Notes to the Financial Statements.

The AIF management report includes, among other things, the total remuneration, broken down into fixed and variable components, paid by the asset management company to its staff, the number of beneficiaries, any carried interest paid by the AIF, and the aggregate amount of remuneration broken down by the most relevant staff categories. It also includes information on the methods used to calculate remuneration, the results of the periodic review carried out by the BoD (including any irregularities found), and any substantial changes to the remuneration policy initially approved.