



Payden Global SIM S.p.A. Remuneration Policy

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Index

1.	Introduction.....	3
1.1.	Scope and objectives	3
1.2.	Proportionality principle	3
1.3.	Applicable legal and regulatory framework.....	4
2.	Governance of the remuneration policies	5
3.	Policy for the identification of the key personnel	7
4.	Structure of the remuneration and incentive systems	9
4.1.	Fixed component and variable component ratio	9
4.2.	Variable component.....	10
4.2.1.	Malus and claw-back mechanisms.....	11
4.2.2.	Bonus pool	11
4.2.3.	Anti-circumvention measures.....	12
4.3.	Early termination of the employment relationship / of the office and pension policy for the key personnel	12
5.	Remuneration of the SIM's personnel	14
5.1.	Remuneration of the key personnel	14
5.2.	Remuneration of the members of the Board of Directors	15
5.3.	Remuneration of the members of the Board of Auditors	15
5.4.	Remuneration of the key personnel of the corporate control functions	15
5.5.	Remuneration of non-key personnel and collaborators	16
6.	Disclosure and reporting obligations	16
6.1.	Public disclosure.....	16
6.2.	Reporting obligations to the Bank of Italy	16
6.3.	Internal reporting obligations	16



1. Introduction

1.1. Scope and objectives

This Remuneration Policy of Payden Global SIM S.p.A. (“**Payden**”, the “**Company**” or the “**SIM**”) has been drawn up by in accordance with the applicable legal and regulatory framework, resolved upon by the Board of Directors of the SIM and ultimately approved by the Shareholders’ Meeting.

The Policy sets out the remuneration policies and practices of the SIM, with a view to ensuring compliance with the Company’s objectives, corporate values, long-term strategies and prudent risk management policies.

In particular, the SIM’s remuneration policy aims at ensuring:

- consistency with the Company’s strategy, objectives, values and interests;
- consistency with the Company’s prudent risk management policies;
- compatibility with capital and liquidity requirements, by taking into account the provisions on the prudential control process;
- medium-long term perspective;
- compliance with the applicable legal and regulatory provisions;
- prevention of possible conflicts of interest.

The Policy demands correctness in the relationships with the clients, in order to contain the risks that could compromise the SIM’s reputation and to ensure that each individual, within the Company, acts in compliance with the legal and regulatory framework. In particular, this Policy aims at ensuring that clients are treated fairly and that their interests are not damaged in the short, medium and long term.

In accordance with its policy on conflicts of interest, the Company adopts appropriate measures aimed at ensuring independence of the remuneration scheme of the personnel responsible for providing investment services and carrying out activities in potential conflict of interests.

To this end, the method adopted for the identification of any variable component of remuneration is aimed at maintaining a balance between fixed and variable remuneration components, in order to better serve the clients’ interests.

The centrality of clients and the protection and growth of their assets represent the main objectives for the SIM and its personnel.

Moreover, the remuneration system is consistent with the SIM’s view to long-term sustainable growth, creation of employment opportunities, enhancement and strengthening of relationships with clients. In such a context, the effective management of human resources – also through the implementation of appropriate remuneration policies – plays a key role, since it is not only aimed at attracting, growing and keeping personnel with the skills and professionalism required for a long-term growth, but also at creating a working environment keen on sharing, developing and strengthening Payden’s corporate culture.

1.2. Proportionality principle

Pursuant to Article 17 of the Bol Regulation (as defined below), this Policy has been drawn up on the basis of a principle of proportionality, by taking into account the characteristics, size and complexity



of the SIM's business and the activities provided, as well as by having in mind the type and extent of the risks assumed.

SIMs shall do so in accordance with what has been established for:

- "major" intermediaries, when belonging to the first macro-category defined in the Guide adopted by the Bank of Italy on Supervisory Review and Evaluation Process (SREP);
- "minor" intermediaries, when belonging to the fourth SREP macro-category;
- "other" intermediaries, when belonging to the second or third SREP macro-category.

At the date of first approval of this Policy, the SIM qualifies as "minor intermediary" (SREP macro-category no IV). This assessment is reviewed by the competent internal functions of the Company and acknowledged by the Board of Directors at least once a year. The Company shall therefore comply with the relevant regulatory framework and may avail itself of certain exemptions provided for minor intermediaries.

Consequently, the SIM could elect not to comply with the following provisions:

- balancing of the variable component (Circular 285, Section III, par. 2.1, point 3).
In light of the SIM's ownership structure, corporate objectives and type and complexity of the activity carried out, no remuneration – in whatever form paid – and/or incentives/bonuses based on financial instruments and/or plans are envisaged for the personnel.
- partial deferral of the variable component for at least 3–5 years, necessary to take into account the trend over time of the risks assumed by the Company (so-called malus mechanisms) (Circular 285, Section III, par. 2.1, point 4).
- discretionary pension benefits for the key personnel (Circular 285, Section III par. 2.2.1).
- obligation to set up a Remuneration Committee.

At this regard, the SIM has not set up a Remuneration Committee; its functions are performed by the Board of Directors of the Company.

1.3. Applicable legal and regulatory framework

- Bank of Italy Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" as subsequently amended and supplemented, which implements the European applicable legal provisions ("**Circular 285**");
- Directive 2013/36/EU of 26 June 2013 ("**CRD**");
- Regulation (UE) no 575/2013 ("**CRR**"), Article 27;
- Commission Delegated Regulation (EU) no. 923/2021, adopted on 25 March 2021, which complements CRD ("**Regulation 923**");
- Directive 2014/62/EU ("**MIFID**"), Articles 16, 23 and 24;
- Regulation (EU) 2017/565 implementing MiFID, Article 27;
- Legislative Decree no. 385 of 1 September 1993 as amended and implemented (Italian Consolidated Banking Law), Article 53;
- Legislative Decree no. 58 of 24 February 1998 as amended and supplemented (Italian Consolidated Law on Finance or "**ICLF**"), Article 6, para. 1, let. b);



- Bank of Italy Regulation of 5 December 2019 (“**Bol Regulation**”) implementing articles 4-*undecies* and 6, para. 1, let. b) and c-*bis*) of the ICLF, Article 17;
- Consob Regulation no. 20307 of 16 February 2018 (“**Intermediaries Regulation**”), Article 93.
- European Banking Authority (EBA) “Guidelines on sound remuneration policies pursuant to Articles 74, para. 3, and 75, para. 2, of Directive 2013/36/EU and on disclosure of information pursuant to Article 450 of Regulation (EU) 575/2013”;
- European Banking Authority “Guidelines on the data collection exercise regarding high earners” (EBA/GL/2014/07) and benchmarking of remuneration practices (ABE/GL/2014/08), of 16 July 2014;
- Bank of Italy Communication banks and investment firms data collection exercise implementing EBA Guidelines” of 4 October 2014.

2. Governance of the remuneration policies

The governance model described below aims at ensuring the correct management of the process of creation and implementation of the SIM’s remuneration policy – in compliance with the applicable laws and regulations and by involving the appropriate skills and expertise – and the effective supervision of the remuneration practices by the control functions and control corporate bodies.

In compliance with the applicable regulatory framework, the remuneration policies are approved, upon proposal by the Board of Directors, by the ordinary Shareholders’ Meeting of the SIM at least on an annual basis, in order to reflect any amendments in the provisions from time to time in force and any changes occurred in the Company’s ownership, organisational and operational structure.

In particular, the Board of Directors of the SIM:

- draws up, submits to the Shareholders’ Meeting and reviews at least once a year the remuneration policy and is responsible for its correct implementation;
- approves the results of any procedure for the exclusion of the “key personnel” and periodically reviews the relevant criteria;
- ensures that the Policy is adequately documented and accessible within the Company’s structure and that the personnel is aware of the consequences of any violations of laws, regulations or codes of conduct;
- approves the personnel’s remuneration and incentive systems;
- identifies the criteria for the remuneration of the “key personnel” (*i.e.* the category of employees whose activities and functions have or may have a significant impact on the SIM’s risk profile), while ensuring that the remuneration and incentive systems relating to such key personnel is consistent with the Company’s choices on risk assumption, long-term objectives and strategy, as well as corporate governance and internal controls;
- ensures, among other things, that the remuneration and incentive systems are suitable to guarantee compliance with laws and regulations and with the SIM’s articles of association, as well as with any code of ethics and code of conduct, by promoting behaviours compliant with them;
- supervises the correct application of the rules relating to the remuneration of the Heads of control functions;



- (viii) ensures the involvement of the relevant internal functions (in particular, the Risk Management Function and the Compliance and AML Function) and parent company support functions, as well as of any needed external support (legal, accounting/financial support) in the process of drawing up and supervising the remuneration policy and practices, while ensuring their effective contribution and independent judgement;
- (ix) on the basis of the information received from the relevant functions, validates the achievement of the performance objectives to which the incentive plans are linked and verifies the other conditions for payment of the remunerations.

The Board of Directors, supported by the Managing Director, ensures that the policies, once defined and adopted, are implemented in an adequate manner and in line with the SIM's strategy, both in the short and in the medium-long term. In particular, the Board shall:

- (i) ensure the alignment of the remuneration policy with the SIM's business strategy;
- (ii) determine the criteria for defining the fixed remuneration of the whole personnel;
- (iii) define the SIM's internal remuneration structure on a fairness basis;
- (iv) verify, on the basis of the information received from the relevant functions, the effective achievement of the performance objectives and the other conditions for payment of the remuneration;
- (v) ensure the periodic assessment of the remuneration policies.

In compliance with the applicable provisions, the Board of Directors ensures the involvement of the following Company's functions and bodies, in accordance with their respective competences:

- (i) the Managing Director as person in charge of the personnel, who manages the process of adoption of the remuneration policy and ensures coordination of the relevant functions;
- (ii) the Compliance and AML Functions, which supervises the decision-making process for the identification of the key personnel and is responsible for assessing the Policy's compliance with the regulatory framework, the SIM's Articles of Association, codes of conduct and internal policies and procedures, so that the legal and reputational risks are appropriately managed;
- (iii) the Risk Management Function, which contributes to the process of identification of the key personnel and verifies the correct alignment of the remuneration system with the SIM's risk profile, also by defining risk indicators to be used for mechanisms of *ex ante* / *ex post* correction of the remuneration, and provides its opinion on the correct use of such mechanism;
- (iv) the SIM's Board of Statutory Auditors, which, together with the Board of Directors, supervises on the correct implementation of the rules adopted by verifying *ex post*, at least once a year, that the implemented remuneration practices are compliant with the Policy and the regulatory framework and by informing the competent corporate bodies and functions of the outcome of its assessment; the Board of Statutory Auditors shall as well be informed of any proposal of derogation from the identified fixed component – variable component ratio.

Pursuant to the regulatory framework and the SIM's Articles of Association, the Shareholders' Meeting, in addition to establishing the remuneration due to the bodies it appoints:

- (i) approves, at least on an annual basis, the remuneration and incentive policies in favour of the bodies with strategic supervision, management and control functions and other personnel as well as any collaborators not linked to the Company by employment relationships;



- (ii) when approving the remuneration and incentive policies, also resolves on any proposal to establish a limit to the ratio between the variable and fixed component of individual remuneration higher than 1:1, but in any case not higher than 2:1, in compliance with the regulations in force at the time. This resolution is validly adopted by the Shareholders' Meeting:
 - (a) with the presence of at least half of the share capital and the favourable vote of at least 2/3 of the share capital represented at the Shareholders' Meeting; or
 - (b) with the favourable vote of at least 3/4 of the capital represented at the Shareholders' Meeting, regardless the share capital present at the Shareholders' Meeting.
- (iii) approves any remuneration plans based on financial instruments;
- (iv) approves the criteria for determining the remuneration to be granted in the event of early termination of the employment relationship / of the office, including the limits set out for such remuneration in terms of the years of fixed remuneration and the maximum amount deriving from their application.

Pursuant to the SIM's Articles of Association, the extraordinary Shareholders' Meeting, in accordance with the law applicable from time to time, may resolve to allocate profits to the Company's employees through the issuance of special categories of shares to be assigned individually to the employees, as well as to assign to the Company's employees financial instruments, other than shares, having financial rights or even administrative rights, excluding the vote in the Shareholders' Meeting.

The Shareholders' Meeting shall be provided with clear and complete information on the remuneration and incentive policies and practices to be adopted. Such information aims at clearly illustrating:

- the reasons, objectives and implementation methods of the remuneration policies;
- the supervision and assessment carried on the remuneration policies;
- the characteristics relating to the remuneration structure, their consistency with the defined guidelines and objectives;
- compliance with the applicable legislation;
- the main information on the process of identification of the key personnel and its outcomes, including any exclusions;
- any changes with respect to systems and processes already approved;
- the evolution of the remuneration dynamics, also with respect to the trend in the sector.

The Shareholders' Meeting is also informed at least once a year on how the remuneration and incentive policies have been implemented (*ex post* information), with a focus on the roles and activities performed by each function and body involved.

3. Policy for the identification of the key personnel

The identification of the SIM's key personnel takes place – on an annual basis – in accordance with Circular 285 and Regulation 923. The mentioned provisions provides for certain criteria aimed at setting out the scope and perimeter of the “key personnel”, in order to identify the employees whose



activities are deemed to have a material impact on an institution's risk profile, as defined by the Company.

In particular, for the identification of the key personnel, the SIM applies the definition of 'key personnel' contained in Circular 285, as identified by making reference to the definitions and criteria set put in Regulation 923, as indicated in Annex 1 to this Policy.

The SIM may identify criteria additional to those indicated in Circular 285 and in Regulation 923, when necessary to identify further employees who assume significant risks. Without prejudice to this possibility, it has not identified any further criteria, since it has assessed that the application of those set forth in the Delegated Regulation allows for the identification of all the employees who assume risks that are significant for the Company.

The SIM carries out an accurate self-assessment in order to identify the key personnel, which requires the involvement of the following corporate functions and bodies.

The Managing Director is responsible for the procedure, since he is in charge with the management of human resources.

The process is supported by the Risk Management Function, in order to ensure the correct application of the criteria for the identification of the key personnel.

The process is also supervised by the Compliance and AML Function to ensure compliance with current applicable laws and regulations.

The self-assessment is based on an evaluation of the responsibilities, hierarchical level, activities and powers of each member of personnel, which are essential elements to assess the relevance of each member of staff in terms of assumption of the risks for the SIM.

The organisational structure is constantly monitored by the Company in order to detect any changes that require an extension or reduction of the scope of the definition of "key personnel".

On the basis of the criteria set out by Circular 285, implementing Regulation 923, as well as of the further criteria set out in Article 3 and ff. of Regulation 923, the SIM considers the following member of the SIM's staff as "key personnel":

- the Chairman of the Board of Directors;
- the Managing Director;
- the other members of the Board of Directors;
- the members of the Board of Statutory Auditors;
- the Chief Investment Officer;
- the Head of Operations.

Furthermore, the SIM considers the following member of the SIM's staff as "key personnel":

- other members of staff with managerial responsibilities over the Company's control functions or in relevant business units
- staff members who:
 - (i) in the preceding financial year, have been awarded a total remuneration equal to or greater than, both (a) Euro 500,000.00 and (b) the average total remuneration paid to members of the body with strategic and management functions and senior management; and



- (ii) the professional activity is performed within a business unit and has a significant impact on the risk profile of the relevant business unit.

In accordance with the applicable regulatory provisions on remuneration policies, the SIM is allowed to not consider “key personnel” the members of staff identified as such on the basis of the quantitative criteria set out in Article 6(1) of Regulation 923, provided that, with limitation to those staff members whose total remuneration is equal to or higher than Euro 750.000, the intention to make use of such exclusion is notified to the Bank of Italy, to which a specific application shall be submitted in accordance with Regulation 923 and Circular 285. The Board of Directors is responsible for approving the outcomes of any exclusion process and for reviewing the applied criteria on a periodical basis.

No member of staff has currently been excluded by the SIM (nor it is intended to submit a notification or request for exclusion).

The outcome of the key personnel identification process is properly motivated and formalised, by indicating at least the following information: (i) the number of staff member considered as key personnel, as well as the number of staff member identified as such for the first time; (ii) each of their names, roles and responsibilities; (iii) a comparison between this outcome and that of the previous year. The same information shall be provided with respect to any staff member excluded from the key personnel or for whom a notification or request for exclusion has been submitted or is intended to be submitted to the Bank of Italy.

4. Structure of the remuneration and incentive systems

4.1. Fixed component and variable component ratio

The remuneration may be composed of two distinct components:

- a fixed component, which rewards the role covered by the member of staff and the extent of his/her responsibilities, and
- a variable component, which aims at recognising the results achieved by establishing a direct link between remuneration and the contribution of the individual in developing and strengthening Payden’s corporate culture and the actual results, in the medium–long term, of the Company as a whole and of the individual.

The ratio between the fixed component and the variable component is adequately balanced, determined and carefully evaluated in any circumstance, so that the remuneration structure does not further the interests of the SIM to the detriment of those of the clients. As a general criterion, the weight of the variable component on the overall remuneration increases the higher the strategic importance of the position held by the individual member of personnel.

The fixed component is sufficiently high in order to allow the variable component to contract significantly and, in certain cases, even reduce to zero in relation to the results – adjusted for the risks – actually achieved.

The fixed component is the stable and irrevocable part of the remuneration, determined and paid on the basis of pre-established and non-discretionary criteria – such as, in particular, levels of professional experience and organisational responsibilities – that do not create incentives to the assumption of risks and do not depend on the performance of the Company.

The ratio between the fixed component and the variable component of the remuneration of each member of the key personnel shall not be higher than 130% (1.30:1).



In line with the provisions of the Company's Articles of Association, the Shareholders' Meeting has set the aforementioned limit to the ratio between the variable and fixed component of remuneration with resolution adopted with the presence at the Meeting equal to at least 1/2 of the share capital and favourable vote of at least 2/3 of the share capital represented at the Meeting, upon the proposal of the Board of Directors. The decision has been communicated to the Bank of Italy in compliance with Circular 285 (Section III, par. 1.2).

The ordinary Shareholders' Meeting may in any case resolve, at any time, on the reduction of the limit down to a 1:1 ratio. Within five days of the Shareholders' Meeting, the SIM shall inform the Bank of Italy of the resolution passed.

4.2. Variable component

Where envisaged, the variable component of the remuneration is calculated based on the indicators of the SIM's performance (net of the risks related to the SIM's operations), that are consistent with the measures used for management purposes by the Risk Management Function, over an adequate time horizon (so-called *ex-ante* risk adjustment) and takes into account the level of liquidity and capital resources necessary to the activities and investments carried out.

The variable component is determined, for the key personnel, on an annual basis, at the end of each financial year, by taking into account:

- performance indicators, adjusted for risks exposure, related to the specific content of the activity carried out by the individual member of staff;
- qualitative indicators that, in general, consider in particular availability of resources, acting in the best interests of the clients and in compliance with the applicable laws and regulations.

The performance assessment period is at least annual.

The variable component of the staff other than the key personnel is determined by the SIM in accordance with similar principles. The SIM may adopt long-term incentive plans based on a future multi-year period in line with the applicable regulatory provisions.

Among the other components of the variable remuneration, the SIM may assign or pay remuneration components linked to the employment/working relationship's length pre-determined or lasting until a given event (so-called "retention bonus"), even when such components are not linked to the SIM's performance objectives. Once assigned, these components are paid not before the end of the pre-determined period or before the occurrence of the agreed event. These remuneration components are considered as variable remuneration and, thus, subject to the relevant regulatory framework.

Moreover, in exceptional cases – subject to compliance with the prudential requirements – the SIM may assign forms of guaranteed variable remuneration (so-called "entry bonus") in relation to newly hired personnel and with limitation to the first year of employment, in compliance with the applicable provisions. Personnel incentive schemes are not based solely on corporate objectives, but are inspired by criteria such as fairness in relations with clients, containment of legal and reputational risks, protection and loyalty of clients, compliance with the provisions of laws, regulations and the SIM's Articles of Association, as well as of codes of ethics or conduct and any applicable provisions.



4.2.1. Malus and claw-back mechanisms

The variable component is subject to *ex post* correction mechanisms – malus and claw-back – suitable, among other things, to reflect the performance levels of the SIM net of the risks actually assumed or achieved, and may be reduced significantly down to zero in case of results/yields negative or significantly lower than expected.

The **malus mechanisms** operate before the actual payment of the remuneration to reduce – even to zero – the variable remuneration accrued in relation, among other things, to the dynamics of risk-adjusted results, to capital levels, compliance objectives, fraudulent behaviour, serious negligence to the detriment of the SIM or behaviour not compliant with the laws, regulations, SIM's Articles of Association or with the applicable codes of ethics or codes of conduct that resulted in a significant loss for the SIM or for the clients, as well as to the trend of the SIM's financial and liquidity situation.

Conversely, the **claw-back mechanisms** operate by imposing the repayment of compensation amounts already paid to the personnel. Claw-back clauses may concern both up-front and deferred payments and are applicable for a period of two years for non-relevant personnel and five years for the key personnel. These terms start running from payment of the relevant part of (up-front or deferred) variable remuneration. They typically covers cases of fraudulent behaviour or serious negligence of the personnel to the detriment of the SIM, compensation paid in violation of the Policy, behaviour not compliant with laws, regulations, SIM's Articles of Association, any code of ethics or code of conduct that resulted in a significant loss for the SIM or for the clients.

In case of disciplinary proceedings concerning conducts which may cause the application of malus or claw-back mechanisms:

- with respect to malus mechanisms: if the disciplinary proceedings are on going when the SIM should proceed with payment of the variable remuneration, the payment is suspended until the completion of the disciplinary proceeding. At the end of the disciplinary procedure, if the alleged conduct is ascertained and the person concerned is consequently sanctioned, the malus mechanisms are applied;
- with respect to claw-back mechanisms: the application of claw-back mechanisms is made only upon completion of the disciplinary proceedings, in case the envisaged conduct is ascertained and the person concerned is sanctioned accordingly.

It is forbidden to compensate the reductions to the variable component deriving from the application of the above correction mechanisms by allocating or paying a variable remuneration higher than that established *ex ante*; the increase in the variable component may take place in the subsequent years only when justified by the financial turnovers of the SIM as well as by the achievement of the member of staff's individual objectives.

4.2.2. Bonus pool

The total amount of the variable component to be allocated to the key personnel (so-called "bonus pool") is determined annually by the Board of Directors upon proposal by the Managing Director, based on the SIM's actual and lasting financial results and by taking into account quantitative and qualitative, financial and non-financial objectives. It shall be sustainable with respect to the SIM's financial situation and shall not limit the SIM's ability to maintain or reach a level of capitalization adequate to the risks assumed. In determining the bonus pool, the Board of Directors identifies and evaluates the parameters on the basis of which the fixed component amount shall be calculated. The entire decision-making process is properly explained and documented.



Following the determination of the overall bonus pool by the Board of Directors, the Managing Director, after consultation with the competent bodies and functions, shall determine its allocation among the Company's areas and the staff categories qualifying as key personnel, on the basis of the criteria laid down in this Policy.

The need for capital strengthening shall lead to a reduction of the bonus pool and/or to the application of the aforesaid malus and/or claw-back mechanisms.

4.2.3. Anti-circumvention measures

The SIM ensures that the staff is not remunerated in a way that circumvents the applicable legal and regulatory framework. To this end, the SIM requires its personnel, through specific agreements, not to make use of personal hedging strategies or insurance on remuneration or other aspects that may alter or affect the effects of risk alignment inherent in the remuneration and incentive mechanisms.

The variable component of the remuneration cannot be the subject to personal hedging strategies or insurance on remuneration or other aspects, which may affect the effects of risk alignment inherent in the remuneration mechanism.

The SIM identifies the types of financial transactions and investments directly or indirectly carried out by the key personnel that could interfere with the mechanisms of alignment to performance and risks and, in general, with the objectives set forth in the applicable regulations. The SIM, through specific agreements, requires the key personnel to communicate: (i) the operations and financial investments carried out that fall within the identified types, in order to take them into account to calibrate the personnel's remuneration and incentive systems; and (ii) any custody and administration accounts. The SIM takes into account the information received in order to calibrate the personnel remuneration and incentive systems, with particular respect to the risk alignment mechanism and to the SIM's income and financial position (*e.g.* duration of the deferral period, malus and claw back, *etc.*).

4.3. Early termination of the employment relationship / of the office and pension policy for the key personnel

The policy of early termination of employment or early termination of the office and the pension policy are in line with the Company's strategy, objectives, values and long-term interests.

In particular, when entering into agreements with the personnel for the assignment of discretionary compensation or benefits to the key personnel (*i.e.* golden parachute) for or in the event of early termination of the employment relationship or of the office, the SIM ensures compliance with the criteria and limits set out by the Shareholders' Meeting.

Such amounts (excluding severance payment – so-called "TFR" – and indemnity in lieu of notice, when their amount is determined in accordance with the applicable laws) are subject to requirements provided for the variable remuneration by Circular 285 and are agreed upon by taking into account the performance achieved and the risks assumed by the relevant member of staff and by the SIM, the SIM's capital and liquidity levels, as well as, among other things, the provisions of the laws, of the employment agreement or of the applicable collective agreement, the duration of the relationship, the amount of fixed and variable remuneration components, the role held by such member of staff, the reasons for the decision to terminate the relationship and the risk of litigation, the age and any other particular conditions of the member of staff (*e.g.* proximity to retirement).

In addition to the indemnity in lieu of notice due pursuant to the law and the collective agreement, in accordance with the Shareholders' Meeting resolutions (except in case of an independent



individual), the amount to be assigned and paid to each member of personnel shall not exceed the amount set out below, as approved and amended from time to time by the Shareholders' Meeting in accordance with applicable laws.

Such amount shall in any case not be higher than 30/12 (i.e. 2,5 times) the annual gross fixed remuneration (in the amount paid to the key personnel member as at the termination date).

This shall in any case be without prejudice to the need to comply with the maximum threshold of the variable–fixed remuneration ratio referred to the last year of the relevant staff member's employment / office (currently equal to 1.30:1), save for those circumstances where such threshold may be derogated from pursuant to express regulatory provisions, in case of non–competition agreement or in case of agreements for the settlement of actual or even potential disputes between the SIM and the staff member, as indicated below.

The above limits includes also any amounts assigned and paid due to non–competition agreements and/or other agreements (*e.g.* dispute settlement agreements) aimed at protecting the interests of the Company entered into with the member of staff upon termination of the employment relationship/of the office.

If assigned, such remuneration shall be paid in a manner and within a time frame similar to those provided for the payment of variable remuneration for the key personnel.

As an exemption to the forgoing, the following amounts are not subject to the above variable–fixed ratio limit:

- (i) the amount agreed upon and paid on the basis of a non–competition agreements (which is calculated, in compliance with the applicable legislation, based on the extent of the object, duration and territorial scope of the non–competition obligations), as for the part of the amount not exceeding, for each year of duration of the non–competition agreement, the last–year fixed remuneration. Therefore, such amount does not contribute to the calculation of the limit to the ratio between variable and fixed remuneration components as for the part that, for each year of duration of the non–competition agreement, does not exceed the last–year fixed remuneration.
- (ii) the amounts agreed upon – in whatsoever circumstance reached (*e.g.* judiciary and/or non–judiciary settlement or others) – between the Company and the relevant key personnel member, for the settlement of a current or even potential dispute between the parties, if calculated in accordance with the following pre–defined formula:

“ The golden parachute shall be equal to the sum of the following amounts:

- (1) for the first year¹ of employment/office, up to 3/12 of the relevant annual fixed remuneration paid to the key personnel member; plus
- (2) for the second year of employment/office, up to 4/12 of the relevant annual fixed remuneration paid to the key personnel member; plus
- (3) for the third year of employment/office, up to 5/12 of the relevant annual fixed remuneration paid to the key personnel member; plus
- (4) for the fourth year of employment/office, up to 6/12 (half) of the relevant annual fixed remuneration paid to the key personnel member; plus

¹ As per the calculation of the duration of the employment relationship/office, according to the consolidated market practice in the employment sector, a period of employment/office longer than 6 (six) months is considered as a full year of service to the purpose of accruing the right to be paid the golden parachute amount equal to a portion of the relevant annual fixed remuneration, as indicated in the above formula.



(5) for each subsequent year of employment/office, up to 6/12 (half) of each annual fixed remuneration paid to the key personnel member,

and in any case up to a maximum of [24/12 (i.e. 2 times)] the relevant annual fixed remuneration. ”

In light of the above formula, for the purpose of identifying the exact number of monthly installments to be paid within the given cap for each year of employment/office, the Company will carry out a detailed assessment aimed at taking into consideration, *inter alia*, the nature of the claims and of the underlying current or potential dispute.

4.4. Benefits

In line with the market practice, the SIM assigns to its employees, including the key personnel, certain benefits, such as:

- personal computer and mobile phone for general use, that are not included in the fixed remuneration of the employee;
- personal injury and healthcare policies;
- supplementary pension benefits.

Benefits are usually assigned based on the professional level to which the member of personnel belongs and no individual discretionary benefits are assigned, unless with the prior approval by the Board of Directors.

5. Remuneration of the SIM's personnel

The remuneration of the SIM's personnel takes place in full compliance with the applicable laws and regulations.

The Board of Directors defines the remuneration and incentive systems at least for the following staff members: staff members reporting directly to the Board of Directors and the Managing Director(s).

5.1. Remuneration of the key personnel

The SIM ensures compliance with the provisions specifically applicable to the key personnel, in accordance with the principle of proportionality.

Since the SIM can be included, for the purposes of Circular 285, among the "minor intermediaries", it is not required to mandatorily apply, with respect to the variable remuneration component of its personnel, including the key personnel, the provisions set forth in Circular 285, Part One, Title IV, Chapter 2, Section III, para. 2.1, points 3 and 4 – at this last regard, without prejudice to the principles indicated therein –, as well as par. 2.2.1.

With regard to the key personnel, at least 15% of the variable remuneration component is subject to a deferral period of not less than 1 year, in order to take into consideration the trend of the risks assumed over time. If the amounts assigned are particularly significant, *i.e.* higher than Euro 500,000.00 (five hundred thousand), a portion equal to at least 25% of the variable remuneration is subject to a 1-year deferral period. Any significant variable component amounts are updated by the SIM at least every three years.



5.2. Remuneration of the members of the Board of Directors

According to the SIM's Articles of Association, the ordinary Shareholders' Meeting sets the remuneration due to the members of the Board of Directors and approves the remuneration and incentive policies in favour of the Board of Directors.

To the extent that non-executive members of the Board of Directors, including the Chairman of the Board of Directors, receive a remuneration for their office, such remuneration will be composed of a fixed component only, as annually approved by the ordinary Shareholders' Meeting. Should any of the non-executive members of the Board of Directors, including the Chairman, be remunerated for their office as Director of the SIM by other entities of the SIM's group, such remuneration will not be structured, assigned and/or paid in such a way as to circumvent any provision of this Policy, nor any Italian applicable laws and regulations. In this event, safeguards are put in place by the Company – to be resolved upon and duly illustrated by the Shareholders' Meeting – so to ensure that the Directors' remuneration schemes are fully compliant with this Policy and the applicable laws and regulations.

The Board of Directors resolves upon the appointment and revocation of one or more Managing Directors and defines their role and powers. The executive Directors may also receive, in addition to the fixed remuneration, a variable remuneration, as defined by the Board of Directors in compliance with the rules set out in this Policy and with the applicable regulations.

The Board of Directors is currently composed of five members, only one of whom is an executive member (*i.e.* the Managing Director).

5.3. Remuneration of the members of the Board of Auditors

The remuneration of the members of the Board of Statutory Auditors is established by the Shareholders' Meeting. It shall be exclusively fixed and in an amount appropriate to the responsibilities of each Statutory Auditors. To this end, reference shall be made to the fees of the Order of Chartered Accountants.

Any remuneration based on financial instruments and bonuses linked to the Company's economic results, as well as any form of variable remuneration, is prohibited.

5.4. Remuneration of the key personnel of the corporate control functions

In compliance with the applicable regulations and having in mind the independence, integrity and professionalism requirements that they must possess, the remuneration of the staff of the SIM's control functions shall mainly be fixed. Incentive mechanism, where adopted, shall be consistent with the assigned responsibilities and independent from the results of the areas under their control, never linked to financial results and may be subject to the achievement of sustainability objectives.

As for the other key personnel of the SIM's control functions, the fixed remuneration component is adequate to the significant responsibilities and commitment related to their position. When a variable component of remuneration is envisaged, its shall not exceed 1/3 (one third) of the fixed remuneration.

Outsourced control functions are remunerated exclusively on a fixed basis.



5.5. Remuneration of non-key personnel and collaborators

The SIM's employees who don't belong to the key personnel shall be paid a fixed salary, so to reflect their professional experience and relevant responsibilities in compliance with the applicable collective agreement.

The Board of Directors may provide, in favour of the SIM's employees, for annual variable incentive schemes for the payment of bonuses in proportion to the achievement of qualitative and quantitative objectives yearly set out by the Board of Directors, in compliance with the provisions of paragraph 4.2 and Circular 285. In exceptional cases, in compliance with all the requirements set out in Circular 285, entry bonuses may be assigned.

The SIM may also avail itself of collaborators, whose remuneration shall be proportionate to the activities carried out, also in consideration of market conditions and applicable laws and regulations. Collaborators shall not be paid any variable remuneration.

6. Disclosure and reporting obligations

6.1. Public disclosure

The Company shall publish information on its remuneration policies and practices on its website.

In order to comply with its public disclosure obligations, the Company publishes on its website the information required by Article 450 of CRR.

6.2. Reporting obligations to the Bank of Italy

Pursuant to the Bank of Italy communication of 7 October 2014 on remuneration data collection from banks and investment firm, within June 30 of each year the Company transmits to the Bank of Italy the information relating to the high earners, *i.e.* the members of its personnel whose annual total remuneration is equal to or higher than Euro 1,000,000.00 (one million). The Company shall report to the Bank of Italy also in case there are no high earners.

6.3. Internal reporting obligations

At least on an annual basis, the SIM informs the Shareholders' Meeting on to the implementation of the remuneration policies, by providing it, through the Chairman of the Board of Directors, the same information that it is required to disclose to the public.



Appendix 1

Definition of 'key personnel' pursuant to Bank of Italy's Circular 285/2013:

- (a) the members of the body with strategic and management functions and senior management;
- (b) the members of staff with managerial responsibilities over the company's control functions or in relevant operational/business units;
- (c) members of staff for whom the following conditions are jointly fulfilled:
 - i. the total remuneration during the previous financial year was equal to or greater than, jointly: €500,000; the average total remuneration paid to the personnel referred to in point (a);
 - ii. the professional activity is performed within a business unit and has a significant impact on the risk profile of the relevant business unit.

To the purpose of the identification of the key personnel sun let. (b) and (c) above, reference shall be made to the definitions contained in the Regulation 923.

The key personnel also include the additional members of staff identified as such pursuant to Regulation 923.

Commission Delegated Regulation (EU) 2021/923 of 25 March 2021

"Article 3

Criteria for determining whether the professional activities of staff members have a significant impact on the relevant material business unit's risk profile as referred to in Article 94(2), point (b), of Directive 2013/36/EU

Institutions shall apply within their remuneration policies all of the following criteria to determine whether the professional activities of staff members have a significant impact on the risk profile of a material business unit:

- (a) *the risk profile of the material business unit;*
- (b) *the distribution of internal capital to cover the nature and level of the risks, as referred to in Article 73 of Directive 2013/36/EU;*
- (c) *the risk limits of the material business unit*
- (d) *the risk and performance indicators used by the institution to identify, manage and monitor risks of the material business unit in accordance with Article 74 of Directive 2013/36/EU;*
- (e) *the relevant performance criteria set by the institution in accordance with Article 94(1), points (a) and (b), of Directive 2013/36/EU;*
- (f) *the duties and authorities of staff members or categories of staff in the material business unit concerned.*

Article 4

Staff members or categories of staff the professional activities of which have an impact on the institution's risk profile that is comparably as material as that of staff referred to in Article 92(3) of Directive 2013/36/EU

Institutions shall identify staff members or categories of staff as having an impact on an institution's risk profile that is comparably as material as that of the staff members referred to in Article 92(3)



of Directive 2013/36/EU where those staff members or categories of staff of staff meet any of the criteria laid down in Articles 5 or 6 of this Regulation.

Article 5

Qualitative criteria

In addition to staff members identified under the criteria set out in Article 92(3), points (a), (b) and (c) of Directive 2013/36/EU, staff members shall be deemed to have a material impact on an institution's risk profile where one or more of the following qualitative criteria are met:

- (a) the staff member has managerial responsibility for:
 - (i) legal affairs;*
 - (ii) the soundness of accounting policies and procedures;*
 - (iii) finance, including taxation and budgeting;*
 - (iv) performing economic analysis;*
 - (v) the prevention of money laundering and terrorist financing;*
 - (vi) human resources;*
 - (vii) the development or implementation of the remuneration policy;*
 - (viii) information technology;*
 - (ix) information security;*
 - (x) managing outsourcing arrangements of critical or important functions as referred to in Article 30(1) of Commission Delegated Regulation (EU) 2017/565;**

- (b) the staff member has managerial responsibilities for any of the risk categories set out in Articles 79 to 87 of Directive 2013/36/EU, or is a voting member of a committee responsible for the management of any of the risk categories set out in those Articles;*

- (c) with regard to credit risk exposures of a nominal amount per transaction, representing 0,5 % of the institution's Common Equity Tier 1 capital and which is at least EUR 5 million, the staff member meets one of the following criteria:
 - (i) the staff member has the authority to take, approve or veto decisions on such credit risk exposures;*
 - (ii) the staff member is a voting member of a committee which has the authority to take the decisions as referred to in point (i) of this point (c);**

- (d) in relation to an institution for which the derogation for small trading book businesses set out in Article 94 of Regulation (EU) No 575/2013 does not apply, the staff member meets one of the following criteria:
 - (i) the staff member has the authority to take, approve or veto decisions on transactions on the trading book that in aggregate represent one of the following thresholds:
 - where the standardised approach is used, an own funds requirement for market risks that represents 0,5 % or more of the institution's Common Equity Tier 1 capital;*
 - where an internal model-based approach is approved for regulatory purposes, 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level);**
 - (ii) the staff member is a voting member of a committee that has the authority to take the decisions mentioned in point (i) of this point;**



- (e) *the staff member heads a group of staff members who have individual authorities to commit the institution to transactions and either of the following conditions is met:*
 - (i) *the sum of those authorities equals or exceeds the threshold referred to in point (c)(i) or in point (d)(i), the first indent;*
 - (ii) *where an internal model-based approach is approved for regulatory purposes, those authorities amount to 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); where the institution does not calculate a value-at-risk at the level of that staff member, the value-at-risk limits of staff under the management of this staff member shall be added up;*
- (f) *the staff member meets either of the following criteria with regard to decision on approving or vetoing the introduction of new products:*
 - (i) *the staff member has authority to take such decisions;*
 - (ii) *the staff member is a voting member of a committee that has authority to take such decisions.*

Article 6

Quantitative criteria

1. In addition to staff members identified under the criteria set out in Article 92(3), points (a) and (b), of Directive 2013/36/EU, staff members shall be deemed to have a material impact on an institution's risk profile where any of the following quantitative criteria are met:

(a) the staff members, including staff members as referred to in Article 92(3), point (c), of Directive 2013/36/EU, have been awarded in or for the preceding financial year a total remuneration that is equal to or greater than EUR 750 000;

(b) where the institution has over 1 000 members of staff, the staff members are within the 0,3 % of staff, rounded to the next higher integral figure, which has, within the institution, been awarded the highest total remuneration in or for the preceding financial year on an individual basis.

2. The criteria laid down in paragraph 1 shall not apply where the institution determines that the professional activities of the staff member do not have a material impact on the institution's risk profile, because the staff member, or the category of staff to which the staff member belongs, meet any of the following conditions:

- (a) the staff member or categories of staff only carry out professional activities and has authorities in a business unit that is not a material business unit;*
- (b) the professional activities of the staff member or category of staff have no significant impact on the risk profile of a material business unit having regard to the criteria set out in Article 3.*

3. The application of paragraph 2 by an institution shall be subject to the prior approval of the competent authority responsible for prudential supervision of that institution. The competent authority shall only give its prior approval where the institution can demonstrate that one of the conditions set out in paragraph 2 are satisfied.

4. Where the staff member was awarded a total remuneration of EUR 1 000 000 or more in or for the preceding financial year, the competent authority shall only give its prior approval under paragraph 3 in exceptional circumstances.



In order to ensure the consistent application of this paragraph, the competent authority shall inform the EBA before giving its approval in respect of such a staff member.

The existence of exceptional circumstances shall be demonstrated by the institution and assessed by the competent authority. Exceptional circumstances shall be situations that are unusual and very infrequent or far beyond what is usual.

The exceptional circumstances shall be related to the staff member.”