FIDEURAM ASSET MANAGEMENT IRELAND

Integration of Sustainability Risks into the Remuneration and Incentive Policies of Fideuram Asset Management Ireland dac

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1. Foreword

This document describes the methodologies adopted by Fideuram Asset Management Ireland dac (hereinafter also “the Company” or “FAMI”) for the integration of the sustainability risks in the Remuneration and incentive policies, pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (so-called “*Sustainable Finance Disclosure Regulation*” or “*SFDR Regulation*”), and the related implementing regulations.

In this regard, the following paragraphs summarise:

– the methodologies for integrating the “sustainability risks” connected to collective asset management services and portfolio management and to recommendations made within the advisory services on investments, formalised as part of the “*Sustainable and Responsible Investment Policy of Fideuram Asset Management Ireland dac”* (hereinafter the “Sustainable Policy”);

– the “sustainability-related corrective mechanism” of the bonus, defined in the framework of the Incentive System for personnel belonging to the category of "Fund Managers”.

2. Scope

The “Sustainable Policy” concerns all managed products – mutual funds and portfolio managements – that in the pre-contractual information:

- explain the methods of sustainability risk integration in the investment decisions, in accordance with the transparency requirements laid down in Article 6 of Regulation (EU) 2019/2088;
- promote environmental or social characteristics, among others, or a combination of these characteristics, provided that the companies in which the investments are made respect good governance practices, pursuant to Article 8 of Regulation (EU) 2019/2088;
- have sustainable investment objectives, pursuant to Article 9 of Regulation (EU) 2019/2088.

Mandates characterised by the presence of specific indications in their respective investment policies do not fall within the scope of application, considering the lower degree of discretion in the selection of financial instruments.

3. Methodologies for integrating the sustainability risks in the Investment Process

According to the provisions of its “Sustainable Policy”, the Company adopted specific methodologies for the selection of the financial instruments, suitably tiered according to the characteristics and objectives of individual products under management, taking environmental, social and governance factors (so-called ESG - “*Environmental, Social and Governance factors”*) and principles of Sustainable and Responsible Investment (so-called SRI - “*Sustainable and Responsible Investments*”) into account.

The issuer selection and monitoring criteria based on ESG and SRI profiles integrate the traditional financial analysis of risk/return profiles of issuers that the Company takes into account when forming its investment choices, in order to prevent that environmental, social and governance conditions may cause a significant, actual or potential, adverse impact on the value of the investments of the assets under management.

The following paragraphs describe the criteria adopted by the Company, consistently with the following SRI/ESG strategies:

− SRI exclusion criteria: Issuers operating in non-socially responsible sectors to which restrictions or exclusions apply with respect to the entirety of the individual assets under Management (so called "SRI binding screening"); issuers operating in sectors deemed not to be "socially responsible" are those companies characterized by a clear direct involvement in the production, maintenance, sales and storage of weapons of mass destruction or in the thermal coal industry, or in unconventional oil & gas mining.

− ESG screening and monitoring: "critical" issuers that are restricted or excluded from the entirety of individual assets under management (so called "ESG binding screening"); those issuers are those highly exposed to ESG risks or involved in particularly serious business controversies like violations of international treaties or principles such as the UN Global Compact and ILO Core Conventions.

− Integration of ESG factors: integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy, aimed at generating sustainable long-term financial performance; among these, the inclusion of sustainable topics focused on long-term structural growth (Sustainability Themed investing), the selection of the most virtuous issuers in terms of sustainable performance through the ESG score (positive or best-in-class screening) and the consideration of non-financial information in the financial assessment of issuers.

− Impact investments: an investment approach that enables to pursue specific sustainability objectives which can generate a positive and measurable social or environmental impact. (so called "Impact investing");

− Engagement and Stewardship: a proactive and systematic interaction with the companies considered relevant, in order to encourage the integration of sustainability factors into business management, and a conscious management aimed at reducing their negative environmental and social impacts. Engagement activities are developed through continuous and constructive dialogue, and the exercise of administrative and voting rights.

The following matrix links the strategies implemented by the Company with respect to the integration of the sustainability risks to financial products, following the SFDR Regulation's principles:

INTEGRATION STRATEGY	ARTICLE 6	ARTICLE 8	ARTICLE 9
SRI Exclusion criteria (SRI binding Screening)	●	●	●
ESG Screening and Monitoring (ESG binding Screening)	●	●	●
Integration of ESG factors		●	
Impact Investing			●
Engagement and Stewardship	●	●	●

For each of the Strategies, the Company has defined specific decision-making processes and operational limits aimed at limiting the risks, including reputational risks, of managed portfolios; the compliance with the operational limits is monitored by the Risk Management Function with the support of the Compliance & AML Function, in the manner detailed in the following paragraphs.

4. "SUSTAINABILITY-RELATED CORRECTIVE MECHANISM" OF THE BONUS ACCRUED WITHIN THE INCENTIVE SYSTEM

In order to integrate the sustainability risks taken in portfolio management, the Company set, under the Incentive System for personnel belonging to the category of "Fund Managers" (ISP Group Risk Takers, Legal Entity Risk Takers, Middle Management and Professional) a corrective mechanism of the bonus that values the activity performed in sustainability risk management terms (so-called "sustainability-related corrective mechanism").

This mechanism is based on a comparison between the "sustainability rating" of the assets managed by the Investment Manager (i.e. the rating corresponding to the average score of the products managed by the Investment Manager with reference to ESG factors) and the corresponding target levels (i.e. the rating corresponding to the average score of the benchmark or investable universe associated to the assets managed by the Investment Manager). For further details, see the following Focus.

Depending on the deviation of the "sustainability rating" of the portfolio from the target, the "sustainability-related corrective mechanism" can either confirm the theoretical bonus of the Manager determined under the Incentive System or act as an upward or downward corrective factor. In particular:

- if the sustainability rating of the Manager's portfolio is one notch higher than the target one, the bonus is increased by 5%;
- if the sustainability rating of the Manager's portfolio is two or more notches higher than the target one, the bonus is increased by 10%;
- if the sustainability rating of the Manager's portfolio is one notch lower than the target one, the bonus is reduced by 5%;
- if the sustainability rating of the Manager's portfolio is two or more notches lower than the target one, the bonus is reduced by 10%;
- if the sustainability rating of the Manager's portfolio is in the same class as the target rating, the bonus is confirmed.

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Focus: Methods for calculating the "sustainability-related corrective mechanism"

The assessment of the level of integration of the ESG factors in the analysis, selection and composition of the portfolios under management is carried out by attributing a score to each individual portfolio under management (average weighted score) also used to monitor those products promoting environmental or social characteristics, among others, or a combination thereof and those that have sustainable investment objectives.

In particular, the Company calculates the average scores for each product in order to determine the average score of the assets managed by a certain Investment Manager ("*Sustainability score of the Investment Manager*"). Product aggregation at Investment Manager level is performed using the same weighting scheme as for the MBO performance indicator.

The same calculation is performed for the reference parameters of each product (benchmark of product or investable universe and/or shadow benchmark, in the case of absolute / total return products) in order to determine the target parameters of the Investment Managers (*"Target sustainability score of the Investment Manager"*).

The scores (i.e. *sustainability score* and target *sustainability* score) are grouped under 20 rating classes to define the "sustainability rating" for each Investment Manager and corresponding targets, based on the rating scale reported in the following table.

Rating	Score	
	Minimum	Maximum
20	> 9.5	<= 10
19	> 9	<= 9.5
18	> 8.5	<= 9
17	> 8	<= 8.5
16	> 7.5	<= 8
15	> 7	<= 7.5
14	> 6.5	<= 7
13	> 6	<= 6.5
12	> 5.5	<= 6
11	> 5	<= 5.5
10	> 4.5	<= 5
9	> 4	<= 4.5
8	> 3.5	<= 4
7	> 3	<= 3.5
6	> 2.5	<= 3
5	> 2	<= 2.5
4	> 1,5	<= 2
3	> 1	<= 1.5

2	>0.5	<= 1
1	> 0	<=0.5