Integration of the Sustainability Risks in 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 "Portfolio 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.

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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.

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 "Portfolio Managers" (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 Manager's portfolio (i.e. average score of the products managed by a single Manager with reference to ESG factors) and the corresponding target level identified (i.e. average score of the parameters - *benchmark* of product or investable universe - associated to the 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 one 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 the portfolios under management (average weighted score) also used to monitor those products promoting environmental or social characteristics, among others, or a combination thereof.

In particular, the Company calculates the average scores observed over time for each product under management (so-called "product sustainability score") in order to calculate the average weighted score achieved by the products under management associated with the same Manager (known as "synthetic sustainability score of the portfolio of the Manager"). In this regard, all products associated with the same Manager are aggregated by means of a criterion taking both the number and the Assets under Management into account.

The same calculation is carried out for the benchmarks of each product (benchmark of product or investable universe, in the case of flexible products) in order to determine the target parameters referred to individual Managers (so-called *"Target sustainability score of the Manager"*).

The resulting average weighted sustainability scores (i.e. synthetic score and target score) are grouped under No 18 rating classes to define the "sustainability rating of the Manager" and the "target sustainability rating of the Manager", using the following rating scale:

Rating	Score	
	Minimum	Maximum
AAA	> 9.5	<= 10
AA+	> 9	<= 9.5
AA	> 8.5	<= 9
AA-	> 8	<= 8.5
A+	> 7.5	<= 8
A	> 7	<= 7.5
A-	> 6.5	<= 7
BBB+	> 6	<= 6.5
BBB	> 5.5	<= 6
BBB-	> 5	<= 5.5
BB	> 4.5	<= 5
B	> 4	<= 4.5
CCC	> 3.5	<= 4
CCC	> 3	<= 3.5
C	> 2.5	<= 3
D	> 2	<= 2.5
E	> 1	<= 2
F	> 0	<= 1