



## Remuneration Policy

Author: Compliance Function  
Issue date: December  
Effective date: 1 January 2019  
Version: 8  
Type of Document: Internal Policy

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## Definitions

<b>Accrual Period</b>	period during which the performance of the staff member is assessed and measured for the purposes of determining its remuneration.
<b>AIF</b>	collective investment undertakings, including investment compartments thereof, which: (i) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC.
<b>AIFMD</b>	Directive 2011/61/EU on Alternative Investment Fund Managers.
<b>AIFM</b>	Alternative Investment Fund Manager.
<b>AIFM Regulations</b>	European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I No. 257 of 2013).
<b>Applicable Regulations</b>	AIFMD, AIFM Regulations, UCITS Directive and UCITS V Directive.
<b>Central Bank</b>	Central Bank of Ireland.
<b>Control Functions</b>	Compliance, Risk Management and Audit Function.
<b>ESMA Guidelines</b>	ESMA “Guidelines on Sound Remuneration Policies under the UCITS Directive” (2016/ESMA/575)
<b>EBA</b>	European Banking Authority.
<b>ESMA AIFM Guidelines</b>	the ESMA “ <i>Guidelines on sound remuneration policies under AIFMD</i> ” (ESMA/2013/232).
<b>European Regulation</b>	Commission Delegated Regulation N. 231/2013 of 19 December 2013.
<b>Firm</b>	ANIMA Asset Management Limited.
<b>Funds</b>	AIFs and UCITS Funds managed by the Firm.
<b>Identified Staff</b>	categories of staff, including senior management, risk takers, control functions, any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm’s risk profile or the risk profiles of the Funds that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the Firm, whose professional activities have a material impact on the risk profiles of the UCITS managed by the Firm.
<b>IPM</b>	(Individual Portfolio Management) a discretionary investment

portfolio management mandate

**Remuneration**

fixed remuneration which does not include performance criteria; variable remuneration which depends on performance or other contractual criteria; and other monetary or not monetary benefits granted by the Firm.

**UCITS**

Undertakings in Collective Investment in Transferable Securities pursuant to the UCITS Regulations.

**UCITS Directive**

Directive 2009/65/EC.

**UCITS V Directive**

Directive 2014/91/EU of the European Parliament and of the Council of the 23 July 2014 amending the UCITS Directive.

**UCITS Regulations**

the European Communities Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 and S.I. No.420 of 2015 - Central Bank (Supervision and Enforcement) Act 2013 (section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015.

## 1. Purpose

This document sets out the remuneration policy of the Firm, including the principles governing how the Firm remunerates its members of staff and recognised “Identified Staff”.

It does not set down specific monetary remuneration for individual staff members as each remuneration package remains primarily the result of negotiation between a staff member and the Firm. Rather, through adoption and implementation of the policies contained in this document, the Firm seeks to demonstrate how it complies with the remuneration related provisions of the AIFM Regulations, ESMA AIFM Guidelines, UCITS V Directive, UCITS Regulations and ESMA Guidelines

In preparing this document, we have also considered the Central Bank’s AIFMD Q&A and the ESMA Q&A (Application of the AIFMD).

## 2. Adoption and Review

This remuneration policy has been approved by the Board of Directors of the Firm and any revisions to the remuneration policy require approval of the Board of Directors.

On an annual basis, the Board of Directors shall carry out a review of the content of the policy and ensure adherence to the remuneration principles adopted by the Firm as set out below.

## 3. Framework

Under the Applicable Regulations, the Firm is required to have remuneration policies and procedures for its Identified Staff that are (i) consistent with and promote sound and effective risk management, (ii) do not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds it manages, and (iii) do not impair the Firm’s duty to act in the best interests of the shareholders of the Funds.

### (i) *Identified Staff*

The Firm is responsible for identifying the members of staff who fall within the definition of “Identified Staff”. The term “Identified Staff” is broadly defined in the ESMA AIFM Guidelines, the UCITS Directive (as amended by the UCITS V Directive) and the ESMA Guidelines and includes:

- executive and non-executive members of the board of directors of the Firm.
- senior management,
- risk takers who either individually or collectively can exert material influence on the Firm’s risk profile or on the AIF/UCITS that it manages. Material Influence” for such purpose is considered by the Firm to be any person whose activities could potentially have a significant impact on the results of the Firm and/or the balance sheet of the Firm and/or on the performance of the AIF/UCITS that they manage,
- control functions/designated persons,
- employees in same remuneration bracket as senior management and risk takers,

whose professional activities have a material impact on the Firm’s risk profile or of the Funds it manages.

The definition of Identified Staff also includes those categories of staff of the entity(ies) to which investment management activities have been delegated, whose professional activities have a material impact on the risk profiles of the Funds.

It is arguable that, given the Firm's own risk profile and given the non-complex nature of the Funds it manages, the Firm could exclude many of its asset management personnel from the definition of "Identified Staff". However, we also note that the ESMA's AIFM Guidelines provide for a presumption that certain categories of staff should be considered Identified Staff for AIFMD purposes. These categories encompass a category termed "Other risk takers", which includes staff members whose professional activities can exert a material influence on the AIFM's risk profile or on that of an AIF which it manages.

In accordance with paragraph 16 of the ESMA Guidelines, the Firm will ensure that where it has delegated investment management functions (including risk management) to a delegate investment manager, (a) the Identified Staff of any such delegate are subject to regulatory requirements on remuneration which are equally as effective as those applicable under the ESMA Guidelines or (b) contractual arrangements are in place between the Firm and such delegate in order to ensure that there is no circumvention of the remuneration rules set down in the ESMA Guidelines.

The Firm shall maintain a separate record of the remuneration regime applicable to any appointed delegate investment manager. Where the delegate investment manager is subject to remuneration rules which are considered equally as effective as those applicable under the ESMA Guidelines, this shall include the relevant regulatory regime under which the delegate investment manager is authorised. Where the Firm has appointed a delegate investment manager which is not subject to regulatory requirements on remuneration which are equally as effective as those applicable under the ESMA Guidelines, the Firm shall maintain a record of the overview provided by the delegate investment manager of its remuneration regime, including any justification as to why its remuneration regime does not circumvent the provisions of the ESMA Guidelines.

Accordingly, the Firm has determined that the following staff members would fall within the definition of "Identified Staff":

- Members of the Board of Directors
- the General Manager
- Head of the Trading and Securities Lending Desk
- Heads of Control Functions
- Delegated Investment Managers

Furthermore, given the small size of the Firm (circa 18 employees), it is considered impractical to have a separate remuneration policy for those staff members who do not fall into the "Identified Staff" category. Accordingly, the Firm has decided to apply this policy to all staff remuneration.

*(ii) Remuneration principles*

In accordance with Schedule 2 to the AIFM Regulations and the ESMA AIFM Guidelines, and Article 14b of the UCITS V Directive, the Firm must comply with the following principles regarding remuneration applicable to its Identified Staff in a way and to the extent that is appropriate to the Firm's size, internal organisation and the nature, scope and complexity of its activities:

- (i) the remuneration policy is consistent with and promotes sound and effective risk management;
- (ii) the remuneration policy is in line with the business strategy, objectives, values and interests of the Firm and the Funds it manages or the investors of such Funds, and includes measures to avoid conflicts of interest;

- (iii) the remuneration policy is consistent with compensation practices applicable within the financial industry sector and in accordance with the principle relating to protection of clients and investors in the course of services provided;
- (iv) the board adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation;
- (v) the implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with policies for remuneration adopted by the board of directors. This task shall be undertaken only by members of the management body who do not perform any executive functions in the Firm and who have expertise in the risk management and remuneration;
- (vi) staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
- (vii) the remuneration of the senior officer in the risk management and compliance functions is directly overseen by the Remuneration Committee, where such Committee exists;
- (viii) where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or AIF/UCITS concerned and of the overall results of the Firm, and when assessing individual performance, financial as well as non-financial criteria are taken into account;
- (ix) the assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIFs managed by the Firm or to the holding period recommended to the investor of the UCITS managed by the Firm in order to ensure that the assessment process is based on longer term performance of the AIF/UCITS and the investment risks of the UCITS and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs or the longer term performance of the UCITS it manages and their investment risks;
- (x) guaranteed variable remuneration is exceptional, generally occurs only in the context of hiring new staff and is generally limited to the first year of engagement;
- (xi) fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component;
- (xii) payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure;
- (xiii) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components include a comprehensive adjustment mechanism to integrate all relevant types of current and future risks;
- (xiv) subject to the legal structure of the AIF and its rules or instruments of incorporation, a substantial portion, and in any event at least 50 per cent of any variable remuneration consists of units or shares of the AIF concerned, or equivalent ownership interests, or share-linked instruments or

equivalent non-cash instruments, unless the management of AIFs accounts for less than 50% per cent of the total portfolio managed by the Firm, in which case the minimum of 50 per cent does not apply. Separately, in the context of UCITS subject to the legal structure of the UCITS and its fund rules or instruments of incorporation, not less than 50 per cent, or where the management of UCITS accounts for less than 50% of the total portfolio managed by the management company, a substantial portion of any variable remuneration component consists of units or shares of the UCITS concerned, equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments with incentives that are as effective as any of the instruments referred to in this subparagraph. The instruments referred to in this subparagraph shall be subject to an appropriate retention policy designed to align incentives with the interests of the Firm and the AIF/UCITS it manages and the investors of such AIF/UCITS. The Central Bank may place restrictions on the types and designs of those instruments or prohibit certain instruments as appropriate. This subparagraph shall be applied to both the portion of the variable remuneration component deferred in line with subparagraph (xv) and the portion of the variable remuneration component not deferred<sup>1</sup>;

- (xv) at least 40 per cent, of the variable remuneration component is deferred over a period which is appropriate in view of the life cycle and redemption policy of the AIF concerned and is correctly aligned with the nature of the risks of the AIF/UCITS in question. The period referred to in this subparagraph shall be at least 3 to 5 years unless the life cycle of the AIF concerned is shorter and in the context of UCITS the period referred to in this subparagraph shall be at least 3 years; remuneration payable under deferral arrangements vests no faster than on a pro-rata basis; in the case of a variable remuneration component of a particularly high amount, at least 60 per cent of the amount is deferred;
- (xvi) the variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Firm as a whole, and justified according to the performance of the business unit, the AIF/UCITS and the individual concerned. The total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the Firm or of the AIF/UCITS concerned occurs, taking into account both current compensation and reductions in payouts of amounts previously earned, including thorough malus or clawback arrangements;
- (xvii) the pension policy is in line with the business strategy, objectives, values and long-term interests of the Firm and the AIFs/UCITS it manages;
- (xviii) staff are required to undertake not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
- (xix) variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Regulations and UCITS V Directive.

The principles set out above, shall apply to any benefit of any type paid by the Firm, to any amount paid directly by the UCITS itself, including performance fees, and to any transfer of units or shares of the UCITS, made for the benefit of those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on their risk profile or the risk profile of the UCITS that they manage.

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<sup>1</sup> Just to note, the sentence appearing in the UCITS V Directive “This subparagraph shall be applied to both the portion of variable remuneration component deferred in line with subparagraph (n) and the portion of the variable remuneration component not deferred” was not transposed into Irish law via the UCITS Regulations however we would be of the view that this statement remains valid in the case of Irish regulated UCITS management companies and SMIC

*(iii) Coherent with*

This remuneration policy is also coherent with:

- (a) the Remuneration Policy of the ultimate parent company ANIMA Holding S.p.A; and
- (b) the Group Regulation. The latter regulates the profiles relating to the organisation and corporate governance of the Group with reference to the exercise of management and coordination activity by Holding S.p.A.

*(iv) ESMA AIFM Guidelines & ESMA Guidelines*

In the context of AIF's, the ESMA AIFM Guidelines provide detailed guidance explaining how an entity such as the Firm should comply with those principles. Further remuneration related guidance can be found in the Central Bank's AIFMD Q&A. The Firm has also given consideration to guidance available from other regulators where it has deemed it appropriate to do so.

In the context of UCITS, the ESMA Guidelines provide detailed guidance explaining how an entity such as the Firm should comply with those principles. The Firm has given consideration to guidance available including from other regulators and to the letter dated 31 March 2016 from ESMA to the European Council, European Parliament and European Commission (the "ESMA Letter") where it has deemed it appropriate to do so.

*(iv) Proportionality*

The principles above are to be complied with by the Firm in a way and to the extent that is appropriate to the Firm's size, internal organisation and the nature, scope and complexity of its activities. See further below.

## **4. Firm Organisation and Activities**

The Firm is authorised by the Central Bank as an AIFM pursuant to the AIFM Regulations and as a UCITS Management Company pursuant to the UCITS Regulations.

*(i) Authorisation*

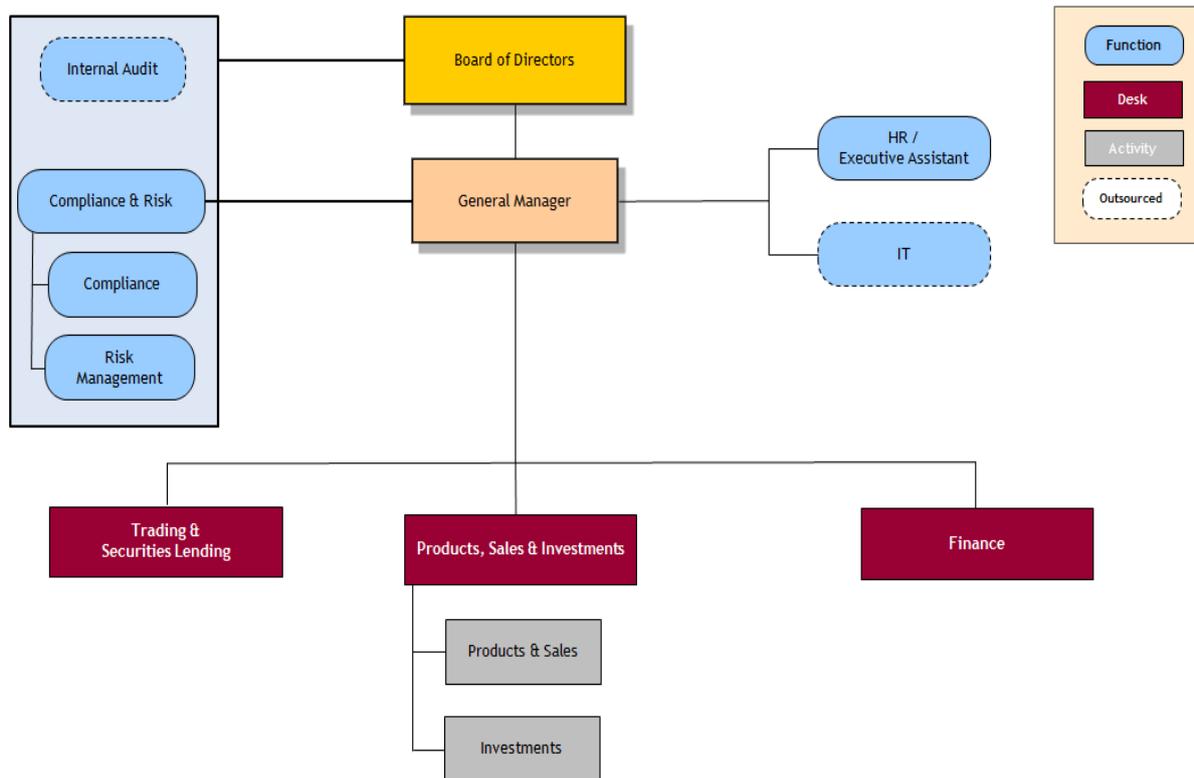
The Firm is authorised by the Central Bank under the AIFM Regulations for:

- 1(a) portfolio management,
- 1(b) risk management,
- Administration functions under 2(a) delegated,
- 2(b) marketing,
- receiving and transmitting of orders,
- individual portfolio management.

The Firm is authorised by the Central Bank under the UCITS Regulations to manage UCITS Funds.

(ii) *Organisational Structure*

The Firm's organisation chart is shown below:



## 5. Proportionality Principle

As noted above, the Firm must comply with the remuneration principles set out in the Applicable Regulations in a way and to the extent that is appropriate to its size, internal organisation and the nature scope and complexity of its activities. Accordingly, some firms can determine to meet the remuneration requirements through very sophisticated policies whereas others can do so in a simple and less burdensome way. In the context of AIFs, the application of the proportionality principle may lead to the neutralisation of some remuneration principles for Identified Staff if that is reconcilable with the risk profile, appetite and risk strategy of the Firm and the Funds it manages.

The ESMA AIFM Guidelines provide that only certain of the remuneration requirements may be disapplied on proportionality grounds, namely:

- (i) *The requirements on the pay-out process.* This means that some AIFMs/UCITS Management Companies either for the total of their identified staff or for some categories within their identified staff may decide not to apply the requirements on;
- Variable remuneration in instruments;
  - Retention;
  - Deferral; and
  - Ex post incorporation of risk for variable remuneration, (hereinafter the “Pay Out Process Rules”).

In considering in what way and to what extent the Firm must comply with the remuneration principles set down in the UCITS Regulations that is appropriate to its size and the size of the UCITS it manages, its internal organisation and the nature scope and complexity of its activities, we have considered it of assistance to have regard to the ESMA Guidelines, the ESMA Letter and the guidance of regulatory authorities.

- (ii) *The requirement to establish a remuneration committee.*

The ESMA AIFM Guidelines and ESMA Guidelines further provide that if an AIFM/UCITS Management Company disapplies any of the foregoing remuneration requirements it should be able to explain to the competent authorities (i.e. the Central Bank) the rationale for its disapplication.

The ESMA AIFM Guidelines and ESMA Guidelines provide that criteria relevant to the application of proportionality are (i) the size of the AIFM/UCITS Management Company and the AIFs/UCITS Funds it manages; (ii) its internal organisation; and (iii) the complexity of its activities.

- (a) *Size of the Firm and the AIFs/UCITS Funds it manages*

### Size of Firm

The size criterion can relate to the value of the Firm’s capital, to the value of assets under management, liabilities or risks exposure of the Firm, the AIFs/UCITS Funds and the IPM it manages, the number of staff and branches or subsidiaries of an AIFM/UCITS Management Company.

The Firm does not engage in proprietary trading, it has no branches or subsidiaries, it only carries on business from Ireland.

- (b) *Internal Organisation*

The internal organisation can relate to the legal structure of the Firm or the AIFs/UCITS that it manages, the complexity of the internal governance structure of the Firm, the listing on regulated markets of the Firm or the AIFs/UCITS that it manages.

The FCA AIFM Guidance further expands on the internal organisation criterion and provides that if the AIFM is listed and traded on a regulated market this would favour application of the Pay Out Process Rules. The Firm is not listed nor traded on a regulated market and accordingly this would suggest that it may be appropriate to rely on this factor as an argument for disapplying certain of the Pay Out Process Rules.

As noted above, the Firm has a simple structure. It is a private limited liability company and is not listed. It has no branches or subsidiaries.

*(c) Nature, scope and complexity of activities*

The nature, scope and complexity of activities can relate to the type of authorised activity, the type of investment strategies of the AIFs and UCITS that the Firm manages, the cross border nature of the business activities and whether the Firm manages both AIFs and UCITS.

The FCA AIFM Guidance provides that a firm should look at the number of investment strategies/styles and number of AIFs. In particular, the FCA AIFM Guidance provides that a firm may consider its activities as non-complex where regulation limits the AIF strategies carried out or scope of investment in such a way so that investor risk is mitigated.

The FCA AIFM Guidance is also that where the discretion of the AIFM or its delegated portfolio manager is strictly controlled (as in the case of the Firm) within certain pre-defined narrow parameters and/or investment decisions are rules based (such as where there is a mandate to track an index) this favours disapplication of the deferral and retention requirements.

Accordingly, the Firm does not believe that the current nature, scope and complexity of the strategies of the Firm, the AIFs and UCITS it manages and the UCITS to which it acts as a delegated investment manager, warrant the application of payout process rules.

*(d) Conclusion*

Taking all of the above into account (i.e. its size, internal organisation nature, the scope and complexity of its activities), the Board of Directors has decided to disapply the payout process requirements of payment of variable remuneration in instruments, retention, deferral and ex post incorporation of risk for variable remuneration. The Board is satisfied that those disapplications are reconcilable with the risk profile, risk appetite and the strategy of the Firm and of the Funds managed.

Similarly, for the same reasons, the Firm has not established a Remuneration Committee. A Remuneration Committee is established at Group level.

The Firm may, however, decide to apply any of those principles in any particular case, as noted below in paragraph 6.6.

## **6. Remuneration Components**

The Firm sets out the total remuneration package of Identified Staff in a way that fixed and variable components are appropriately balanced. As a general principle, the fixed remuneration represents a sufficiently high proportion of the total remuneration in order to remunerate the professional services

rendered, in line with the level of education, the degree of seniority, the level of expertise and skills required, the constraints and job experience, the relevant business sector and region. Where remuneration includes a variable component or a bonus, the Firm operates a fully flexible policy on variable remuneration, including the possibility to pay no variable remuneration component.. The appropriate balance of fixed and variable remuneration may vary across staff members, according to market conditions and the specific context in which the Firm operates. An absolute separation between the fixed and variable components is always maintained with no leakage between these two components.

The Firm recognises that in addition to the fixed remuneration a variable remuneration component can be awarded to all staff members, including Identified Staff, as additional payment or benefit in relation to the service provided by such staff members/Identified Staff. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Group and professional activity as well as market practice.

The five remuneration components are: *fixed remuneration (including fixed supplements); performance-based remuneration (variable salary); pension schemes; other benefits; severance payment.*

(i) *Fixed Remuneration*

The fixed remuneration is determined on the basis of the role of the individual employee, including responsibility, job complexity, skills, seniority, performance and local market conditions.

(ii) *Variable Remuneration*

The performance-based remuneration motivates and rewards high performers who strengthen long-term relations, and generate income and value for the Firm's shareholder. The Firm will reward its employees for exceptional performance by way of a taxable bonus payment.

(iii) *Pensions*

Pension schemes guarantee employees a basic cover in the event of illness or death, and a suitable pension payment on retirement. In general, all permanent staff members are covered by defined contribution plans with a pension insurance company. The pension policy of the Firm is aligned with long term interest of the Firm.

(iv) *Other Benefits*

Other benefits are awarded on the basis of individual employment contracts and local market practice. The other additional benefits may include Profit Sharing Plan, health insurance, paid time off, relocation and foreign-service compensation.

(v) *Severance*

Severance payments are payable in accordance with relevant employment laws.

## **6.1 Performance-based remuneration**

Performance-based remuneration is awarded in a manner which promotes sound risk management and does not encourage excessive risk-taking. The Firm maintains a fully-flexible policy on variable remuneration implying not only that variable remuneration will decrease as a result of negative performance by the relevant Identified Staff, its business unit or the Firm itself, but also, that it can go down to zero in some cases where its situation deteriorates significantly, in particular where it can no longer be presumed that it can or will continue to be able to carry out its business as a going concern or in case of a negative assessment of the performance of such Identified Staff. Performance-based pay is not

guaranteed and no employee will have a contractual entitlement to such pay. The Firm adopts a discretionary approach to performance-based remuneration.

The performance-based compensation depends on the decision of the Board of Directors to allocate funds to the Performance-based Remuneration Pool. The latter may vary over periods depending on:

- (i) the net profit of the Firm in absolute terms and versus budget, realised over the relevant fiscal year;
- (ii) the Performance-based Remuneration Pool budget as agreed with the ultimate parent company on the basis of Group's results;
- (iii) cost development of the Firm;
- (iv) internal specific risks affecting the Firm, as set out in the last Internal Capital Adequacy Assessment (ICAAP);
- (v) compliance with internal business procedures and conduct of business rules;
- (vi) particular market conditions relevant for the business of the Firm.

Performance will be determined by pre-agreed objectives.

The distribution of the Performance-based Remuneration Pool among staff members (including Identified Staff) is based on the criteria defined also below in paragraph 6.2 and is approved by the Board of Directors or by Directors delegated for such purpose by the Board.

In relation to the payments related to the early termination of a contract which are awarded on a contractual basis, they should be related to performance achieved over time and designed in a way that does not reward failure.

## **6.2 Measures to avoid conflicts of interests and internal controls**

Performance-based remuneration is awarded in a manner which avoids conflicts of interest. Pursuant to the relevant legislation, the Firm has put in place measures to ensure that the variable remuneration awarded does not impair the duty of the Firm to act in the best interest of the Firm's clients :

- (i) the variable remuneration of all the staff members (including Identified Staff) are strictly reliant on the financial result of the Firm and Firm's Group, the individual performance of the staff member along with the result of his Business Unit. The methodology used for the calculation and pay-off of the variable remuneration do not compromise the obligation of the Identified Staff to act in the best interest of the clients;
- (ii) references used in the calculation of variable remuneration of Identified Staff are common across investment services and products offered and include qualitative criteria;
- (iii) the variable remuneration is calculated and awarded on a linear basis rather than being dependent on meeting an '*all or nothing*' target;
- (iv) fixed remuneration remains sufficiently high in order to remunerate the professional services rendered and to allow the operation of a fully flexible policy on variable remuneration, including the possibility to pay no variable remuneration component;

- (v) the variable remuneration takes into consideration the fair treatment and the satisfaction of clients (i.e. complaints made by clients are assessed during the award process).

The Firm has implemented adequate controls for assessing compliance with its remuneration policies and practices. This Remuneration Policy is annually reviewed by the Head of Compliance. The Firm has appointed the Head of Compliance as the Designated Person responsible for monitoring that the principles of the Remuneration Policy have been implemented in accordance with the Policy in place. The Head of Compliance (and in its role as Designated Person) regularly assesses the adequacy of the measures put in place to avoid conflict of interests. In addition, the outcome of the assessment and controls are regularly reported to the Board of Directors.

## 6.3 Board Members

Furthermore, members of the Board of Directors of the Firm receive a fixed directorship fee, not variable. Variable remuneration, if any, paid to the General Manager of the Firm, who is also a Director of the Firm, is paid in respect of his role as General Manager.

## 6.4 Control Functions

The Firm recognizes that staff members engaged in control functions are independent from the business unit they oversee and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business area they control. The mix of fixed and variable remuneration for control functions personnel is weighted in favor of fixed remuneration. The decision in relation to variable remuneration for the Heads of the Control Functions, where applicable, is usually delegated by the Board to the non-executive Chairman.

In accordance with what indicated above, the performance of the Head of Compliance will not be linked to the performance of the Firm. Instead any variable remuneration to be paid to the Head of Compliance will be determined by the Firm assessing their performance in delivering their responsibilities as Head of Compliance, which will include :

- achieving the actions agreed in the Compliance Programme within or ahead of the agreed timeframe approved by the Board of Directors;
- developing effective and efficient controls which consistently deliver timely reporting to the firm and all relevant authorities;
- escalating issues in a prompt manner to the General Manager or to the Board if necessary.

The Firm has delegated the Internal Audit function to ANIMA Holding S.p.A. (“ANIMA Holding”), its ultimate parent company. With respect to the service provided to the Firm ANIMA Holding receives a fixed fee which is not related to the performance of the Internal Audit function which provides the internal audit control.

## 6.5 Performance measurement

In cases where the remuneration of an Identified Staff Member is performance related, its total amount is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the Firm. When determining individual performance financial (quantitative) and non-financial (qualitative) criteria such as compliance with internal rules and procedures are taken into account by the Firm.

The assessment of the performance-based components of remuneration are required to be based on longer term performance and take into account the outstanding risk associated with the performance. The assessment of performance may be set in a multi-year framework (and in the context of UCITS under management, will be appropriate to the holding period recommended to the investors of the UCITS managed by the Firm) in order to ensure that the assessment process is based on longer term performance and that the actual payment of bonuses is spread over the business cycle of the Firm (or the same period as the holding period recommended in respect of the UCITS managed by the Firm).

The Firm uses an award process in order to translate performance assessment into variable remuneration. Performance will be determined by pre-agreed objectives.

The award process determines the variable remuneration of the staff members (including Identified Staff) taking into consideration his/her individual performance, the performance of his/her business line and the overall performance of the Firm and the Firm's Group.

## 6.6 Pay-out process

In the context of AIFs, and in order to align the actual payment of remuneration to the business cycle of the Firm and the business risks, the Firm may (but is not obliged to) decide that the variable remuneration is partly paid upfront (short term) and partly deferred (long term) over an appropriate period of time. The length of the deferred period is established in accordance with the business cycle, the nature of the business, its risks and the activities of the member of staff in question.

Unlike the ESMA AIFMD Guidelines, the ESMA Guidelines are silent on the possibility of UCITS management companies being able to dis-apply the Pay-Out Process Rules on the grounds of proportionality.

However, ESMA has concluded in the ESMA Letter that it should be possible to (i) dis-apply the Pay-Out Process Rules in certain circumstances and (ii) apply lower thresholds whenever minimum quantitative thresholds are set for the pay-out requirements, in each case on the grounds of proportionality.

The ESMA Letter provides that it would be inappropriate for the following fund managers to be subject in all circumstances to the requirements on the pay-out process:

- (i) smaller fund manager (in terms of balance sheet or size of assets under management);
- (ii) fund managers with simpler internal organisation or nature of activities; or
- (iii) fund managers whose scope and complexity of activities is more limited.

The ESMA Letter also confirms that it considers it disproportionate to apply the Pay-Out Process Rules to relatively small amounts of variable remuneration and to apply certain requirements to certain staff when this would not result in an effective alignment of interests between the staff and the investors in the funds.

In the context of UCITS, and in order to align the actual payment of remuneration to the holding period recommended to the investors of the UCITS managed by the Firm and the nature of the risks of the UCITS in question, the Firm may (but is not obliged to) decide that the variable remuneration is partly paid upfront (short term) and partly deferred (long term) over an appropriate period of time. The length of the deferred period is established in accordance with the above criteria but will be for a period of at least three years.

The amount of the deferred part of the bonus, if any, should be determined in relation to the total amount of the bonus as compared to the total amount of the remuneration. The deferred element of the

bonus should take into account the outstanding risks associated with the performance to which the bonus relates.

The Firm does not pay variable remuneration through vehicles and does not employ methods which aim at artificially evading the requirements of the ESMA AIFM Guidelines or the UCITS Directive.

The Firm may (but is not obliged to) pay variable remuneration in cash, shares of the ultimate parent company ANIMA Holding S.p.A., share based instruments, including conditionals shares and other generally approved instruments. In the event of payment otherwise than in cash, retention provisions may be applied.

## 7. Delegates

The Firm delegates investment decision and certain risk management activities related to the AIFs and UCITS Funds (performance monitoring).

The UCITS V Directive provides that remuneration policies and practices should apply, in a proportionate manner, to any third party which takes investment decisions, including risk management, that affect the risk profile of the UCITS because of functions which have been delegated in accordance with Article 13 of the UCITS Directive (i.e. this would include any investment manager and risk manager).

## 8. Disclosure

The general principles of the Firm's remuneration policy and the specific provisions for Identified Staff are disclosed internally and documented in this policy. The Firm's remuneration policy is accessible to staff members to whom it applies. Staff members are informed in advance of the criteria that are used to determine their remuneration and of the appraisal process. The appraisal process and this remuneration policy are properly documented and transparent to the individual staff members concerned.

A synthesis of the Remuneration Policy of the Firm and the overall remuneration of the Identified Staff is disclosed to the clients in a durable medium, generally within the annual Financial Statements of the Firm and where applicable of the Funds as described below. More specifically, the Firm will produce an annual report for the AIF it manages containing details of (i) the total remuneration for the financial year (split into fixed and variable remuneration) paid by the Firm to its staff, the number of beneficiaries and, where relevant, carried interest paid by the AIF; and (ii) the aggregate amount of remuneration broken down by senior management and members of staff of the Firm whose actions have a material impact on the risk profile of the AIF.

In addition pursuant to the UCITS Directive requirements, the following disclosures are required in the following documents:-

### Prospectus of UCITS

The prospectus of each UCITS managed by the Firm is required to include either:

- (a) the details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identities of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists; or
- (b) a summary of the remuneration policy and a statement to the effect that the details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee where such a committee exists, are available by means of a website - including a reference to

that website - and that a paper copy will be made available free of charge upon request.

It is proposed that a summary of the remuneration policy and a statement to the above effect will be disclosed in the prospectus of each UCITS under management and that such details will be made available on [www.animaam.ie](http://www.animaam.ie).

#### Key Investor Information Document (KIID) of UCITS

The KIID of each UCITS managed by the Firm is required to include a statement to the effect that the details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists, are available by means of a website - including a reference to that website - and that a paper copy will be made available free of charge upon request.

#### Annual Report of UCITS

The annual report of each UCITS managed by the Firm is required to disclose the following additional information:

- (a) the total amount of remuneration for the financial year, split into fixed and variable remuneration paid by the Firm and by the UCITS to its staff, and the number of beneficiaries, and where relevant, any amount paid directly by the UCITS itself, including any performance fee;
- (b) the aggregate amount of remuneration broken down by categories of employees or other members of staff as referred to in Article 14a(3) of the UCITS Directive;
- (c) a description of how the remuneration and the benefits have been calculated;
- (d) the outcome of the reviews referred to in points (c) and (d) of Article 14b(1) of the UCITS Directive including any irregularities that have occurred;
- (e) material changes to the adopted remuneration policy.