

# REMUNERATION POLICY STATEMENT

VERSION HISTORY
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## 1. INTRODUCTION

### 1.1 Glossary

**Banking Group** or **Group** means the Italian banking group "Cassa Centrale Banca – Cooperative Banking Group" to which NEAM belongs to.

**Board** means the board of directors of the Management Company.

**Cassa Centrale Banca** or **CCB** means Cassa Centrale Banca – Credito Cooperativo Italiano.

**Conducting Officers** means the conducting officers of NEAM according to Circular 18/698

**Control function** means staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within a management company.

**Fund** means NEF, an undertaking for collective investment organized as a *Fonds Commun de Placement* of the open-ended type registered pursuant to the provisions of Part I of the Luxembourg Law of 17 December 2010 on undertakings for collective investment.

**Guidelines** means Guidelines on sound remuneration policies under the UCITS Directive (UCITS Remuneration Guidelines ESMA 2016/575).

**Identified staff** means 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 the management company's risk profile or the risk profiles of the UCITS that it manages (including sustainability risks) and categories of staff of the entity(ies) to which investment management activities have been delegated by the management company, whose professional activities have a material impact on the risk profiles of the UCITS that the management company manages (including sustainability risks).

**IFM** means management companies incorporated under Luxembourg law and subject to Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective.

**Management Company** or **Company** means NEAM.

**Parent Company** means NEAM's parent company, i.e. Cassa Centrale Banca – Credito Cooperativo Italiano

**RAF** means **Risk Appetite Framework** which defines the risk appetite, tolerance thresholds, risk limits, risk governance, in line with the maximum acceptable risk, the

business model and the strategic plan.

**RAS** means **Risk Appetite Statement** which defines the type of risks that the companies and banks of the Group will accept or avoid in order to achieve its business objectives. It includes quantitative measures of income and capital profile, risk measures, liquidity and other relevant measures.

**Senior Management** means the persons who effectively conduct the business of an IFM within the meaning of Article 102(1)(c) of the Luxembourg Law of 17 December 2010 on undertakings for collective investment **SFDR** means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

## 1.2 Purpose

The Management Company has adopted this policy with a view to adopt principles consistent with a sound and prudent risk management and that do not encourage risk taking (including sustainability risks), which is coherent with the risk profile, rules or instruments of incorporation of the fund “NEF” and the Management Company.

This policy is also in line with the business strategy, objectives, values and interests of the Management Company and the fund “NEF” in order to protect the interests of investors and to avoid any possible conflict of interest. Lastly, since the Management Company is member of the Banking Group, some conditions may be set at group level always in respect of Luxembourg and international legislation.

## 2. REGULATORY FRAMEWORK

According to paragraph 388 of Circular CSSF 18/698 every IFM must implement a remuneration policy. The objective of this policy is to ensure that remuneration practices are compliant with CSSF Circular 10/437, Art 111a and 111b of Luxembourg Law 17 December 2010, Circular CSSF 22/797, CSSF Circular 10/497 and the Guidelines.

Moreover, pursuant to article 5 of SFDR, the remuneration policy shall contain appropriate information on how such policy is consistent with the integration of sustainability risks.

According to SFDR, ‘sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

## 3. STRUCTURE OF REMUNERATION

The Remuneration Policy covers the remuneration of:

- Members of the Board;
- Identified staff (if any);
- Employees (including Conducting Officers).

### 3.1 Board Members

The members of the Board perceive only a fixed remuneration in cash, not linked to the Fund or the Company performance. The remuneration of all Board members is set by the sole shareholder during the annual general meeting.

Board members who are part of one or more of the Company's committees (such as, but not limited to, investment committee) do not receive additional remuneration for their role as members of those committees and/or for the achievement of certain objectives which may derive from decisions taken from such committees.

### 3.2 Identified Staff

The process of identifying, monitoring and reviewing Identified staff shall be carried out at consolidated level (by the parent company, among the affiliated Group's companies) and at individual level (by the Management Company).

As regards to the assessment of Identified staff to be performed at individual level, it is responsibility of the NEAM senior management and control functions to conduct a first analysis ("self-assessment") aims at identifying the members of NEAM organization whose professional activities have a material impact on the company risk profile by analysing the job functions and responsibilities of the employees (including Conducting Officers) and Board members.

The self-assessment should be based on qualitative and quantitative criteria:

Regarding **qualitative criteria** as stated in paragraph 19 of the Guidelines, the following categories of staff, should be included as Identified staff, unless it is demonstrated that they have no material impact on the management company's risk profile or on the UCITS it manages:

- Executive and non-executive members of the management body of the management company, depending on the local legal structure of the management company, such as: directors, the chief executive officer and executive and non-executive partners
- Senior management
- Control functions
- Staff responsible for heading the investment management, administration, marketing, human resources

- Other risk takers such as: staff members, whose professional activities – either individually or collectively, as members of a group (e.g. a unit or part of a department) – can exert material influence on the management company's risk profile or on a UCITS it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the management company or of the UCITS it manages.

Additionally, as regards to **quantitative criteria** and as stated in paragraph 20 of the Guidelines, if they have a material impact on the risk profile of the management company or of the UCITS it manages, other employees/persons, whose total remuneration falls into the remuneration bracket of senior managers and risk takers, should be included as Identified staff.

Once the self-assessment is finalized, the result of the analysis, duly justified and formalized, is sent to NEAM parent company which performs a consistency check with respect to the identification process in place within the Group.

Finally, the result of the analysis is shared with NEAM Senior Management.

Lastly, during the board meeting in which the Remuneration Policy is reviewed for its annual update, the Board analyses the result of the self-assessment by verifying its consistency with the job functions and responsibilities of the employees (including Conducting Officers) and Board members in order to validate the assessment of such roles which could materially affect the company's risk profile. In such a case, the employee identified as Identified staff is formally appointed by the Board.

At the end of the whole process, the Identified staff at consolidated and individual level are informed by means of specific communications.

During the year, if needed, in particular on the occasion of events affecting the Group and/or the Company, the mapping of the Identified staff at consolidated and/or individual level may be updated. In such cases, this document might be submitted to the board meeting on an as needed-basis and outside the annual update of NEAM Remuneration Policy.

### **3.2.1 Exclusion of Identified Staff**

Quantitative criteria set by Article 6(1) of Regulation 2021/923 do not apply if the Company determines that the professional activities of the staff member do not have a material impact on the Company's risk profile because the staff member, or the category of staff to which the staff member belongs, meets one of the following conditions:

- (a) the staff member only carries out professional activities and has authorities in a business unit that is not a material business unit;
- (b) the professional activities do not have a significant impact on the risk profile of a material business unit.

In order to proceed with the exclusion of such persons from the perimeter of the Identified Staff at consolidated or individual level, the Parent Company's Organisation and Human Resources Department carries out, with the support of the competent functions, an analysis to assess the effective power of the staff members of concern to assume significant risks.

In the event of the exclusion of staff members, identified as Identified Staff in application of the quantitative criteria, from the perimeter of Identified Staff at consolidated or individual level, where applicable, the Parent Company proceeds with the request for authorisation of exclusions to the Supervisory Authority.

### **3.3 Employees (including Conducting Officers)**

The remuneration paid by the Management Company to employees consists of fixed remuneration and variable remuneration. All employees are subject to the collective bargaining agreement for bank employees<sup>1</sup>.

The ratio between the variable remuneration and the gross annual fixed remuneration shall not exceed:

- 75% for identified staff;
- 50% for other employees;
- 33% for identified staff involved in control functions (risk management, compliance, internal audit and AML/CTF).

Neither fixed nor variable remuneration are connected to quantitative indicators on products performance.

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<sup>1</sup> Remuneration-related benefits provided for by the collective bargaining agreement do not apply to Conducting Officers and Team Managers.

## **4. FIXED REMUNERATION**

The fixed remuneration is based on the role, experience and position of the employee. It is composed by the remuneration defined in the relevant employment contract, including benefits allocated in line with the employment agreement (ticket restaurants, integrative pension plan, complementary health insurance) or company policies (e.g. company car).

The fixed remuneration of the Conducting Officers (employees or not) and the new hired employees who are executives or managers is established directly by the Board.

## **5. VARIABLE REMUNERATION**

### **5.1 Benefits on discretionary basis**

Employees can have benefits assigned to them on discretionary basis. Such benefits constitute variable remuneration.

### **5.2 Variable Remuneration related to performance**

Employees can benefit from variable remuneration payable after the end of the financial year.

The variable remuneration for NEAM's employees (Conducting Officers included) is related to performance, and depends on the achievement of specific and individual professional and technical objectives assigned to employees in a multi-year framework regardless of the results achieved by the Company and/or by the Fund.

In identifying such objectives, the Management Company does not encourage an excessive assumption of risks related to sustainability.

The variable remuneration for employees in charge of control functions is not linked to the achievement of the objectives by the relevant business area they control.

For Identified Staff in charge of control functions, the ratio between fixed and variable remuneration may not exceed the limit of one third.

There is no variable remuneration for employees part of one or more committee of the Company (such as, but not limited to, management committee, investment committee, and pricing committee) neither for their role as members of such committees nor for the achievement of certain objectives which may derive from decisions taken from such committees.

The Board as a whole is responsible for the decision of the variable remunerations to be paid to the Conducting Officers and to the others employees. Concerning the variable remuneration for the employees other than Conducting Officers, the Board approves the maximum amount to be paid on an aggregate basis, and leaves to the

Conducting Officer responsible for human resources, heard the opinion of the Head of each department and the Conducting Officer responsible for the function, the decision about the individual amount to allocate. The variable remuneration is proposed to the Board by the Conducting Officer responsible for human resources during the board meeting following the official communication received by the parent company concerning the opening of the relevant gates.

The individual variable remuneration to be paid to the Conducting Officers is decided directly by the Board, after the confirmation by the parent company of the gates opening.

The Board may also decide, depending on specific circumstances, not to pay any variable remuneration.

The Board shall be entitled to require staff members (including Identified staff) to repay all or part of the variable remuneration already paid ("claw back" clause) in the event where the bonus was allocated for performance based on data which was subsequently proven to be fraudulent, as well as in the event where it is found that, in the reference period in which the variable remuneration was accrued, the recipient has determined or contributed to determine:

- fraudulent or gross negligence to the detriment of the Company;
- a conduct not compliant with legal or statutory requirements which resulted in a loss for the Company;
- a conduct not compliant with legal or statutory requirements, including the assumption of excessive sustainability risks, or with the ethical code of the Group.
- disciplinary proceedings, arisen during the year, involving the layoff and salary suspension for at least one day, also as a result of investigations performed by the control functions.

The claw back provision can be applied within 5 years from the payment date of the variable remuneration for Identified staff and 2 years for all the others.

The same situations described above may lead to the activation of malus arrangements ("malus"), which provide for the reduction of all or part of the variable remuneration not yet paid. Malus can be applied both to variable remuneration that is in the process of being accrued and not yet paid, and to variable remuneration accrued but not yet paid.

The responsibility to verify such conditions, and their impact, if any, is in charge of the Board for Identified staff, and of the Conducting Officer responsible for human resources for the other staff.



The variable remuneration related to performance can be subject to deferred payment and any *malus* (linked to the deferral) systems, in accordance with the Parent Company's policy and guideline as well as in compliance with the applicable laws.

### Conditions of the Group

As already mentioned, some conditions are required in order to activate the process that will lead to the payment of the variable remuneration. Cassa Centrale Banca has set out the conditions described below for all the entities that are part of the Group. However, NEAM puts in place its own Remuneration Policy in accordance with the applicable law, the main principles of CCB remuneration policy and guidelines (with particular reference to gender neutrality of personnel, the link with group risks, the adequacy with the group capital and liquidity standards and the Group's medium/long-term approach).

#### *a) determination of the bonus pool*

For the companies that are part of the Group, the variable remuneration corresponds to an amount which is equal to maximum 8.5% of the staff cost, intended as salaries and social contributions (the "theoretical maximum bonus pool"). However, the parent company has applied a derogation for NEAM, for which the staff cost is equal to item 160a "spese del personale" of the target tool, corresponding to all the costs related to the staff and Board members, minus the theoretical maximum bonus pool.

NEAM sets the bonus pool for the following year within the threshold of the theoretical maximum, taking into account several factors such as the expected return, the practices adopted in the previous years and in the local market as well as the remuneration system in place. The bonus pool shall be included in the budget.

During the financial year, if the budget is updated as a result of extraordinary events, the bonus pool can be modified as well.

In case NEAM needs to define a bonus pool higher than the theoretical maximum, it shall send a request to the parent company's board of directors, after receiving the opinion of the CCB Remuneration Committee, specifying the amount and the reasons for the request.

Lastly, after the confirmation of the gates opening by the Parent Company, as defined below, NEAM shall compare the realized gross profit with the estimated budget in order to determine the maximum bonus pool payable. Based on that, the Board defines the effective bonus pool to be paid.

#### *b) activation of the variable remuneration system*

The activation of variable remuneration system is linked to exceeding specific requirements set out at Group level and at Company Level, aimed at ensuring compliance with capital stability and liquidity indicators as defined in the RAF and RAS. The assessment of these conditions is performed on data as at 31/12 of the relevant financial year.

At Group Level, the “Group Gate” can be opened when:

- CET 1 (Common Equity Tier 1) Ratio is at least equal to what is foreseen in the RAF of the Group
- NSFR (Net Stable Funding Ratio) is at least equal to what is foreseen in the RAF of the Group

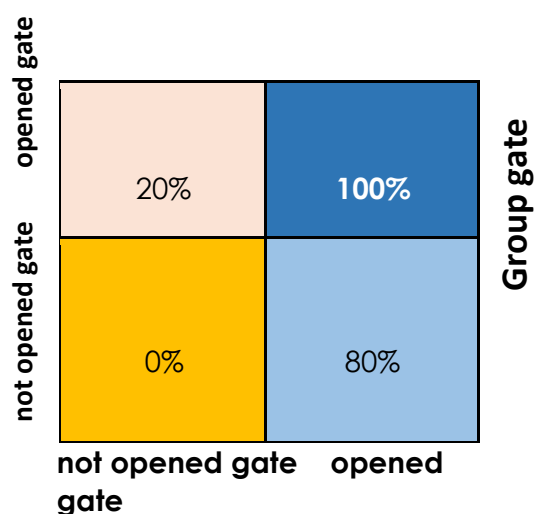
At Company Level, the “Company Gate” is the same as that of the parent company, notably:

- CET 1 (Common Equity Tier 1) Ratio is at least equal to what is foreseen in the RAS of CCB
- NSFR (Net Stable Funding Ratio) is at least equal to what is foreseen in the RAS of CCB

Activation conditions are considered fulfilled if all objectives are met.

It is the responsibility of the Board to verify the conditions of the variable remuneration activation.

For the definition of the bonus pool, the gate activation conditions are verified both at Group and individual level, according to the following scheme:



However, in the event where gates are opened only at the level of the Group, but not at the level of the Company, the reduced allocation equal to maximum 20% of the theoretical bonus pool shall be prior authorized by the parent company's board of directors. Such an allocation shall be only used for selective payments for retention purposes.

*c) additional adjustment*

Once the gates are open, the Management Company needs to compare the profit (before tax) with the budget in order to define the maximum bonus pool payable:

PROFIT BEFORE TAX vs BUDGET	MAX BONUS POOL PAYABLE
100% or above	100% of the Bonus Pool
between 20% - 99.99%	In linear proportion (Profit Before Tax/Budget) X Bonus Pool
equal or below 19.99%	0% of the Bonus Pool

*d) variable remuneration – exceptional cases*

1. Based on an overall assessment of the Company trend during the year, the Board is entitled to adjust the amount of the maximum bonus pool payable (as defined after comparing the gross profit and the budget) up to maximum 10%.

2. There is the possibility to pay a bonus even in the event of a gross profit below 20% or negative, provided that the minimum capital and liquidity requirements set by the Supervisory Authority are met and subject to the prior approval of CCB board of directors, which is in turn subject to the prior favorable opinion of the Remuneration

Committee and the Risk and Sustainability Committee of CCB, on the basis of the positive opinion of the Parent Company's Risk Management Department and Planning Department, which, to the extent of their competence, assess the current and prospective financial, equity and economic sustainability of the Company. To benefit from it, NEAM has to send a specific request to the human resources of the Parent Company which has to include a detailed description of the request's purpose and the amount requested (specifying the theoretical bonus pool originally decided).

3. The Parent Company's CEO may be empowered to allocate up to a predetermined maximum annual amount for:

- extraordinary bonus aimed to recognize excellent behavior (i.e. meritorious performance related to specific project), or
- exceptional payment in occasion of special events or extraordinary facts for all staff.

The criteria used for the bonus allocation as well as the overall decision-making are recorded and brought to the attention of the Parent Company's board of directors for its approval.

The allocation of the above-mentioned bonus is subject to specific conditions (data as of the latest available quarter):

- CET 1 (Common Equity Tier 1) Ratio is at least equal to what is foreseen in the RAS of CCB
- NSFR (Net Stable Funding Ratio) is at least equal to what is foreseen in the RAS of CCB
- Positive gross profit

The above-mentioned extraordinary bonus is capped to a maximum of 10% of the individual fixed remuneration, without exceeding, at aggregate level, the limit of 0.5% of the staff cost estimated in the budget of the reference year. Such an amount is not included in the bonus pool.

## **5.2.2 Annual assessment of Employees**

The objectives evaluated for the assignment of the variable remuneration are purely qualitative and are set and evaluated annually. The assessment and the setting of the objectives for the employees who are not Conducting Officers takes place before the board meeting in which the decision on the variable remuneration is taken and in any case by the first semester of the year. The assessment and the setting of the objectives for the Conducting Officers is responsibility of the Board. Such objectives could be proposed for discussion to the Board by the Conducting Officers.

The variable remuneration is discretionary and will be recognized depending on the number and importance of the objectives achieved in a multiyear framework.

It is possible to decide not to recognize any variable remuneration in the event of considerable negative outcome in the qualitative evaluation.

### **5.3 Other Variable Remuneration**

In principle, no individual agreements are signed with employees to regulate *ex-ante* the compensation agreed upon early termination of employment or office.

Payments related to the early termination of a contract which are awarded on a contractual basis, shall be related to the performance achieved over time and designated in such a way that does not reward failures nor the assumption of excessive sustainability risks.

Any payments related to the early termination for identified staff should, at least, comply with the rules and principles established by the Parent Company.

### **5.4 Hedging Strategies Prohibition**

Employees are forbidden to use personal hedging strategies or insurance on remuneration, or on other aspects that may alter or undermine the risk alignment effects embedded in the remuneration arrangements described in the Remuneration Policy.

## **6. DELEGATION OF PORTFOLIO MANAGEMENT**

The business model adopted by NEAM foresees the delegation of the portfolio management function. When delegating the portfolio management function, the Management Company will check, during the initial and ongoing due diligence that:

- the entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA guidelines on sound remuneration policies under the UCITS Directive and SFDR;
- appropriate contractual arrangements are put in place with entities to which investment management activities have been delegated, in order to ensure that there is no circumvention of the remuneration rules set out in the mentioned guidelines; these contractual arrangements should cover

any payments made to the delegates' identified staff as compensation for the performance of investment management activities on behalf of the Management Company.

## **7. RESPONSIBILITIES**

The responsibility for the definition and adoption of the Remuneration Policy lies with the Board of the Management Company. The Board reviews at least annually the general principles of the remuneration policy integrating it with policies and guidelines issued by the Parent Company and it is responsible for, and oversees their implementation.

The Board of the Management Company:

- ensures that the remuneration policy is properly recorded and accessible within the Company;
- ensures that the remuneration schemes are coherent with the overall Company's decisions related to risk taking, strategies, long-term goals, organization of corporate governance and internal control;
- is also responsible for the decision of the remunerations to be paid to the Conducting Officers and to the others employees.

The Conducting Officer responsible for human resources informs the staff of any Remuneration Policy updates.

The human resources and compliance functions are responsible for reviewing, at least annually, the implementation of the Remuneration Policy. After validation of the Management Committee, the updated version of the Remuneration Policy is reported directly to the attention of the Board.

## **8. GENDER NEUTRALITY OF REMUNERATION POLICY**

In accordance with the principles of the parent company's policies, NEAM promotes a gender-neutral remuneration policy, which means a remuneration policy based on equal pay for male and female workers for equal work or work of equal value. For this end, NEAM is committed to ensuring that staff has an equal level of remuneration for equal activities performed.

As part of the periodic review of the Remuneration Policy, the Board analyses the gender neutrality of the policy and reviews the Gender Pay Gap and its evolution over time at the Company level, documenting the reasons for the gap, where relevant, and taking appropriate corrective measures.

It is foreseen that the analysis will be carried out on the basis of the personnel clusters defined by the regulations (members of the Board of Directors, Key Personnel and other personnel) and additional clusters, based on contractual categories/levels; no analysis has to be carried out for those clusters which have fewer than 3 employees of the least represented gender.

In order to ensure the implementation of the gender neutrality principle of the Remuneration Policy, the Company foresees the adoption of measures that will be eventually proposed at the Group level in order to improve the analysis and quality of monitoring of the principle of equal pay for equal work.

## **9. MAINTENANCE OF THE REMUNERATION POLICY**

The policy is maintained electronically and it is always available to all employees. Moreover, as recommended by ESMA in the UCITS Remuneration Guidelines, the disclosure of the Remuneration Policy is made through its publication on the NEAM/NEF website and a policy's summary in the Annual Report.