2020 Remuneration Report

PRAMERICA MANAGEMENT COMPANY S.A.

(“ Pramerica “)

Introductory note

This document aims to illustrate Pramerica Management Company's remuneration and incentive policies, by providing a reference framework of the main decision-making processes, characteristics and methods used to ensure that remuneration is linked to results; the main *performance* indicators employed; the reasons behind the choices of variable remuneration schemes and the other non-monetary services. That framework is designed to be consistent with the Parent, UBI Banca's Remuneration and Incentive Policies, while nevertheless taking appropriate account of the independent nature and specifics of the business in question.

As a "significant" manager, the Management Company is required to apply all the most stringent requirements of the relevant regulations. In assessing the nature, extent and complexity of the activity, the Company took into consideration the type of authorized activity, the type of investment policies and strategies of the managed UCITS, the low weight of the "alternative" products.

Section I – 2020 Remuneration and incentive policies

I. Regulatory framework

In the last few years, the asset management sector has undergone a process of intense regulatory change designed to ensure that incentive mechanisms are consistent with sound and prudent risk management.

In particular, Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 (hereinafter "UCITS V") has amended Directive 2009/65/EC concerning the coordination of legislative, regulatory and administrative provisions relating to certain undertakings for collective investment in transferable securities, in order to take account of market developments and strengthen the degree of harmonization of rules and practices at European level.

The transposition of UCITS V and the ESMA guidelines on remuneration and incentive policies of 14 October 2016 led to changes in the Bank of Italy-Consob Joint Regulation, published on 27 April 2017.

The Policies, in consideration of the Company's membership of the UBI Banca Banking Group, were also defined on the basis of the Bank of Italy Circular 285 - 25th update of 23 October 2018, which implements the European Parliament Directive 2013/36/EU ("CRD IV"), of the Delegated Regulation of the European Commission n. 604 of 4 March 2014, containing the technical *standards* for identifying the *so-called* "Material Risk Takers" ("MRT"), at Group level, as well as the guidelines expressed by the EBA Guidelines of 21 December 2015.

II. Principles and aims

The remuneration and incentive policies are a fundamental tool in support of the medium and long-term strategies of the Company and the Group in the context of a prudent assumption of current and future risks. Their purpose is to attract, motivate and retain staff, creating a sense of identity and developing a culture linked to performance and merit. The key principles on which our policies are based, and which are applied throughout the organisation, are as follows:

Rewarding merit	Our objective is to recognise the merit of each individual, and at the same time to encourage team spirit and a sense of belonging, relating the objectives and results of each person to their own business unit and company and to the Group.
Fairness	Remuneration is set consistent with the role and level of responsibility held in order to foster virtuous conduct and ensure equal development and career opportunities, where the annual "*Merit Plan*" is one of the prime examples of its application.
Competitiveness	Continuous comparison with best practices and national and international market trends with analysis of the comparative remuneration of each role in relation to the relative benchmarks. The attention paid to market trends arises from the conviction that it is possible to improve the ability of the company to attract, motivate and retain staff by also making comparisons with the external context. The objective is to position Company wages in line with the market, with the aim of rewarding staff with the best performance, the greatest potential or those in key and strategic positions with remuneration in the highest brackets of the benchmark.
Prudence and compliance with the applicable legislation and regulations	The Company is attentive to risk and constantly seeks compliance with regulatory requirements, to ensure sustainable growth over time. The Group Risk Appetite Framework (RAF) contained in the document "UBI Banca Group RAF - Risk appetite – Risk Appetite Statement 2020"[1], is an important source of information on which policies are based. It is used to determine the preliminary trigger conditions ("gates") of the incentive schemes and to define conditions and limits, so that the total amount of variable remuneration is such that it does not limit levels of capitalisation and is adequate for the risks taken, providing for significant reductions or possibly the elimination of the variable components of remuneration in the event of below forecast or negative performance levels.

[1] That internal document sets out strategic Group guidelines in relation to the measurement of current and future capital adequacy and its risk-taking and risk management policies.

III. Governance process and principal protagonists

Governance systems and rules have been defined with the aim of ensuring clarity, transparency and effectiveness in the definition and management of remuneration and incentive policies. This is also done by regulation of the main internal processes on the subject.

The principal protagonists are:

- Pramerica Shareholders' Meetings,
- the Pramerica Board of Directors,
- the UBI Banca's Remuneration Committee which is assigned the duties of the Company's Remuneration Committee,
- the UBI Banca's Board of Directors,
- Pramerica's Risk Management, Compliance and Internal Audit functions as well as UBI Banca's Human Resources and Compliance functions, acting as control functions,
- Pramerica's Human Resources Function.

The Remuneration Committee examines the key specific aspects of Pramerica's remuneration and incentive policies to check that they are consistent with Group policies. More specifically, Pramerica's Board of Directors, having considered the guidelines provided by the committee, formulates a proposal for remuneration and incentive policies to submit to UBI Banca's Board of Directors.

On the basis of a proposal from the Company's Board of Directors, a Shareholders' Meeting of Pramerica approves the Company's remuneration and incentive policies based on financial instruments for employees not bound to the Company by subordinated employment relationships. It also approves the criteria and limits for setting remuneration in the event of the early termination of an employment relationship or corporate office, consistent with the Parent's policies.

The corporate control functions of the Company (the Compliance Function and the Risk Management Function in particular) and the Parent are involved beforehand and work together to ensure the adequacy and regulatory compliance of the policies and practices adopted, and carry out subsequent monitoring of their proper functioning and application.

IV. Remuneration structure

The remuneration package offered to staff is targeted at the achievement of medium to long-term objectives, and balanced depending on the relevant category, on the basis of the following components:

- fixed remuneration;
- a variable remuneration incentive, which rewards performance over a short-term time horizon for all personnel;
- other retention and attraction tools, which depending on the type, are classified as either fixed or variable remuneration;
- benefits, normally associated with the fixed component of remuneration;
- benefits in view of or at the time of early retirement from an office or an employment relationship, which form part of variable remuneration.

Finally, parts of remuneration are paid in financial instruments and welfare goods and services.

1. Fixed remuneration

The fixed component of remuneration is set as a proportion of total remuneration such that it is able to remunerate staff fairly and adequately, even in cases when they do not receive the variable component. This therefore discourages the adoption of a particularly high risk-taking behaviour.

Fixed remuneration comprises those items of wages that are of a stable and irrevocable nature, determined and paid on the basis of criteria set in advance and not discretionary. It is defined in particular on the basis of the level of the contract, the position filled, responsibilities held and the expertise acquired by employees during the course of their careers.

Remuneration earned for positions held in Governing Bodies, possible allowances for roles associated with specific positions within the organisation chart and other tools with remuneration functions all form part of the fixed component.

2. Variable remuneration

The variable component of remuneration is mainly based on performance measurement, which takes place over both annual and, for certain professional, multi-year time horizons.

The objective is to involve and motivate staff to pursue medium and long-term policies and also to reward team and individual contributions.

In order to ensure a more direct correlation between results and rewards a bonus pool procedure has been adopted, to which access is gradual on the basis of the satisfaction of preliminary trigger conditions (“gates”) by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group and the individual business entity.

Measurement is based on risk-adjusted income statement and balance sheet indicators, the performance of managed investment products adjusted for the risk attaching to them, “internal” client satisfaction levels, projects and assessments of the effectiveness of behaviours.

Short-term incentive schemes constitute the performance-based variable remuneration.
Attraction and retention tools included in the variable remuneration may also be envisaged, according to the detail provided in the following point; *retention bonuses* cannot be used to indemnify staff from the reduction or cancellation of the variable remuneration linked to the incentive system deriving from the "*ex ante*" and "*ex post*" correction mechanisms.

V. Recipients, remuneration positioning and “pay-mix”

Recipients

Two categories have been identified to which these Remuneration Policies apply:

- the "Material Risk Takers" ("MRT") or "Identified Staff" ("IS")
- the "Other Personnel" of the Company;

In relation to the identification of the "Risk Takers", it should be noted that this process is subject to two distinct analyzes:

i. in compliance with the sector regulations (UCITS V) and the related criteria indicated for this purpose, a self-assessment is carried out by Pramerica, based on the methodological indications provided by the Parent , which takes into consideration the impact on risk at the Company level;
ii. in compliance with the regulations for Banking Groups (CRD IV), a consolidated analysis is carried out by the Parent Company, which takes into account the impact on risk at Group level.

Overall in 2020 the perimeter of the "Risk Takers" of Pramerica is defined in 6[3] positions (of which 5 members of the Board of Directors and the General Manager

The identification of this perimeter was carried out on the basis of current regulations and in application of specific internal Group methodology approved by the competent corporate bodies.

Remuneration positioning

[3] This perimeter may be subject to periodic reviews during the year, approved by the competent corporate and holding company bodies.

The Group's objective is to position itself on remuneration levels that are in line with the market, aiming to enhance the resources with the best performance in the higher segments of the reference *benchmark*, also with a view to retention and taking into account the results, the best performing resources, with the highest potential or in strategic positions and at market risk.

Depending on the category they belong to, differentiated and competitive compensation packages have been defined, in terms of fixed, variable and benefits components.

"Pay-mix"

In the Management Company, the variable remuneration does not exceed the fixed remuneration, except for the control functions, where the ratio between variable remuneration and fixed remuneration does not exceed the limit of one third.

VI. Remuneration and incentive policies for staff with employee contracts

1. "Bonus pool"

Each year, if the capital stability, liquidity and risk-adjusted profit conditions are met, a budget is allocated to a bonus pool to be used for incentive schemes, as part of the Group budgeting process.

This budget is allocated at Group, company and business unit level, taking into consideration the expected profitability, the number and type of staff, the relative theoretical bonus levels, the type of business or context and the capacity to remunerate capital.

If significant revisions to the budget are made during the year in question, the bonus pool may be subject to changes by UBI Banca's Board of Directors, after prior consultation with the Remuneration Committee.

At the final results stage, the bonus pool may be increased, without prejudice to the adjusted remuneration of capital and liquidity, up to a predetermined maximum, or reduced down to zero (a "malus"), both at Group and Company level, on the basis of the performance compared with the budget approved each year by the UBI Banca's Board of Directors.

The bonus pool may be reduced to zero in the event of failure to achieve the trigger conditions ("gates"), or if the financial statements show a loss on normalised figures.

If the available budget allocation is overrun, criteria have been set for the bonuses to be redistributed, down to the level of the budget allocated.

On the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and taking account of recommendations formulated by the Company's management bodies, the Parent's Board of Directors may consider increasing or reducing the bonus pool, in order to take account of extraordinary events unforeseen at the time of budget, such as, but not limited to, mergers, capital increases and extraordinary accounting normalisations.

2. Entry conditions ("gates")

The incentive schemes are triggered upon satisfaction of the conditions ("gates") set at Group level to ensure compliance with capital and liquidity stability ratios as defined in the document "RAF UBI Banca Group - Risk appetite – 2020 Risk Appetite Statement". The values for these indicators are verified at the end of the period, as at 31/12/2020 for the short-term incentive scheme, and they are updated as at 31/12 at the end of each year of the scheme, consistent with the "Risk Appetite Framework", for long-term incentive schemes.

Incentive schemes are not triggered if the financial statements of the Group or the Company show a normalised loss except (in the presence of unforeseeable or non-determinable events and variables, including those of an exogenous nature) for the possibility of granting a portion, distributable, up to a maximum of 15% of the total Group bonus pool, to be submitted to the Board of Directors for approval, on the basis of a proposal from the Remuneration Committee.

3. *Short-term incentive schemes*

The short-term incentive schemes are designed to achieve annual targets and to support value generation over time by the Company, by rewarding the achievement of risk-adjusted objectives, while maintaining adequate levels of capital and liquidity and preventing incentives from conflicting with the interests of the Company, its shareholders and its clients.

The parameters used for incentives schemes are mainly quantitative and measurable by means of result targets, but nevertheless with room for qualitative measurement of performance and correlation normally with skill development goals.

The calculation methods are designed to allow graduated payment of bonuses, depending on the degree to which targets are reached and also to prevent conduct that places the Company at risk.

Bonuses are related to the complexity of the role and the results achieved at individual, team, Company and Group level.

There are no guaranteed bonuses, without prejudice to exceptions allowed by legislation and regulations limited to the first year of employment.

As concerns the incentive scheme for *"Other Staff",* the targets are linked to the relative team and the relative activities (costs, revenues, standards of service, effectiveness, efficiency and projects) and they are set at individual level as part of the professional assessment process.

The bonuses are set following a structured process defined by the direct superior, on the basis of reference bonuses formulated for different roles/job families in accordance with qualitative assessments and consistent with the results of the "Professional Assessment".

In order to guarantee fairness and transparency, proposals for bonuses made by managers must be validated at higher management levels.

Access to bonuses is withdrawn if company regulations or instructions are violated, as ascertained by the imposition of disciplinary measures, or following adverse findings made by the Group Internal Audit Function, as set out generally in the company regulations to implement them.

4. *Incentive Scheme for Material Risk-Takers ("Identified staff")*

For the "Material Risk Takers", there are objectives for effective and efficient monitoring of the activities for the achievement of the assigned projects and, in specific cases, for profitability indicators (with the exception of the Control Functions, for which there are no related indicators economic and financial objectives).

In line with the principles laid down in the regulatory framework, the structure of the bonus payout is such that at least 50% of the bonus is converted into financial instruments and subject to retention clauses that align the incentives with the Company's long-term interests.

The quota paid in financial instruments is linked to the performance of the Company's products and services, on the basis of a balanced basket of these instruments that are representative of the principal investment strategies followed.

The percentage of bonuses that is deferred varies from 40% to 60%.

In order to ensure capital and liquidity stability over time, consistent with long-term strategic objectives, the deferred portion is paid on condition that specific company capital stability and profitability targets, measured as at 31/12 of the year prior to the grant of the bonus, are met.

No interest or dividends are paid on deferred portions of the bonus.

It has been established that for the annual amounts of variable components of remuneration paid, inclusive of those paid as part of job-security agreements, total annual amounts of less than €80,000 will be paid exclusively on an up front and "monetary & welfare" basis.

Unless expressly indicated otherwise, participants in the incentive schemes who terminate their employment contracts before the bonus payment dates set out for each model, even considering retention, will lose all rights to bonuses earned and not yet paid.

5. *"Clawback" clause*

The variable component of remuneration is subject to clawback mechanisms for the repayment of bonuses that have already been disbursed.

Clawback has a particular impact on incentives earned by and/or paid to staff, whether they are "Material Risk Takers" or other staff, who have caused or played a role in:

- behaviours leading to a significant loss for the Company;
- additional behaviours non-compliant with the provisions of the law, regulations, articles of association and any ethical codes of conduct or other codes of conduct applicable to the bank, in the cases provided for by the bank;
- violations of the obligations under article 26 or, when the subject is an interested party, article 53, subsections 4 and following of the Consolidated Banking Act or obligations relating to remuneration and incentives;
- violations of the provisions of the Consolidated Finance Law with regard to obligations under article 6, paragraphs 2-*septies*, 2-*octies* and 2-*novies*, or article 13, or obligations concerning remuneration and incentives according to Art. 190-*bis*;
- fraudulent behaviour or gross negligence that could damage the Company.

These provisions are independent of any compensation or disciplinary issues.

The above involves the termination of any bonuses currently vesting and of payments of deferred components earned in previous years and not yet granted (a "malus").

The clawback may take place for bonuses paid up to a period of five years prior to the date on which the charge of misconduct indicated above was brought.

6. *Personal hedging and avoidance strategies*

The Company pays remuneration to its staff solely in accordance with regulations governing remuneration and incentive policies and it excludes the use of vehicles, instruments or payment procedures which may be used to avoid compliance with legislation and regulations on remuneration and may contain incentives to take risks.

The Company expressly asks its staff, by means of specific agreements, to not make recourse to personal hedges or insurance strategies applied to remuneration or other aspects which might alter or impair the effects of alignment with the risk intended with these policies. In order to achieve this, sample checks are made on the internal custody and administration accounts of "*Identified Staff*" held with Group banks and they are required to inform the Company of the existence or opening of custody and administration accounts with other intermediaries.

Furthermore, Pramerica defines the types of financial transactions and investments which might impact on procedures designed to align risks in special internal regulations and asks "*Identified Staff*", by means of specific agreements, to notify the Company of financial transactions and investments carried out that are classified as belonging to those types of transactions and investments, identified, where possible, along the same lines as other internal regulations governing investments (e.g. Code of Conduct, Code of Ethics, Policy on Personal Transactions and the Insider Dealing Regulation) and which will be considered for the calibration of remuneration and incentive schemes.

7. *Severance Pay*

As required by law and by the Company Statute, the ordinary Shareholders' Meeting approves the criteria for determining the remuneration to be granted in the event of early termination from the office or termination of the employment relationship, including the limits set for this remuneration in terms of annuality and maximum amount that derives from their application.

Treatment of Directors for termination of office

UBI Banca does not make any further payments compared to the ordinary component in favor of Directors in the event of termination for any reason of office.

Treatment of Employees

The amounts that may be agreed for all personnel in the event of the early termination of an employment relationship (i.e. termination of employment payments) may as a general rule be made to staff whose employment agreement are terminated on the initiative and/or in the interest of the Company and they must comply, in accordance with the supervisory regulations for banks on remuneration and incentives, with the criteria and limits laid down in this section and with the more stringent regulations governing variable remuneration such as: (i) being linked to qualitative and quantitative indicators that reflect actual long-lasting results; (ii) the use of financial instruments subject to retention; (iii) the division into an up-front quota and a deferred quota; and (iv) being subject to ex post adjustment procedures (malus and claw back).

More specifically, agreements entered into in view of or at the time of the early termination of an employment relationship, which involve possible payments or grant of other benefits to "*Identified Staff*", are defined as "golden parachutes" and also include: (i) the amounts paid as part of an agreement for a current or potential dispute, no matter by which means that agreement is reached; (ii) an indemnity for failure to give notice, in an amount that exceeds the amount of the indemnity calculated in accordance with the law and national trade union agreement for the sector.

Termination of employment payments also include job-security agreements to extend periods of notice and non-competition agreements, even though they are paid during the employment relationship. Nevertheless, the more stringent rules for variable remuneration regarding the quota that does not exceed the last year's payment of fixed remuneration do not apply to the latter.

Golden parachutes are included in the calculation of the limit on the ratio of variable to fixed remuneration relating to the last year of an employment relationship, with exception made for amounts agreed and paid:

- on the basis of a non-competition agreement, in the amount that for each year of the duration of the agreement does not exceed the last year's payment of fixed remuneration;
- as part of an agreement between the bank and the personnel, at any location reached, for the settlement of a current and potential dispute (so-called settlement agreement), if meeting the criteria and limits set the default formula as described in the following paragraph.

Payments for the termination of an employment relationship are not considered and therefore the amounts calculated are not subject to restrictive rules, applicable outside a negotiated agreement, set by an independent third party (judge or arbitrator), neither are accessory items of limited material value considered.

The above rules do not apply to amounts agreed in view of or at the time of the early termination of an employment relationship occurring as part of extraordinary operations (e.g. mergers) or company restructuring processes and redundancy incentives connected with similar operations in accordance with the provisions of point 2.2.3 - Exceptions under Bank of Italy Circular 285, and by collective discipline, including corporate, or in the legislative framework also applicable to senior management.