



Generali Investments Luxembourg S.A.

REMUNERATION POLICY

About this Document

Introduction

This Remuneration Policy sets out the operational, legal & regulatory requirements, which Generali Investments Luxembourg S.A. (hereinafter “GIL” or the “Company”) complies with in order to meet its obligations, in the area of remuneration, as Management Company authorised under Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment (the “2010 Law”) and Alternative Investment Fund Manager authorised under Chapter 2 of the Law of 12 July 2013 (the “AIFM Law”), which manages undertakings for collective investment subject to Part I of the 2010 Law and other types of funds which qualify as alternative investment funds (hereinafter the “Funds”).

Policy Owner

This Remuneration Policy is owned by the Legal & Compliance Department. If you have any queries or comments regarding the information contained in the document, please contact the Legal & Compliance Department for further details.

Document Approval

Version	Written or Updated by	Description of action (changes / approval)	Date	Management Committee approval	Board of Directors approval
1	GIL	New local policy	June 2015	July 2015	July 2015
2	GIL	Update	December 2015	January 2016	April 2016
3	GIL	Update	May 2016	June 2016	
4	GIL	Update further to UCITS V implementation and entry into force of the ESMA guidelines on sound remuneration policies under the AIFM and UCITS directives.	March 2017	March 2017	May 2017
5	GIL	Update – Section 5	September 2017	September 2017	November 2017
6	GIL	Update to the definition of identified staff and update to pt. 2.3.1 (a)	April 2018	April 2018	April 2018
7	GIL	Update – Section 5	July 2018	July 2018	July 2018
8	GIL	Update Group Share Plan	September 2019	October 2019	November 2019
9	GIL	Update – Section 2	January 2020	January 2020	March 2020

Confidentiality Level

This document is strictly confidential and intended for use by Generali Investments Luxembourg (“GIL”) personnel only. This document is the property of GIL and must not be copied or used for any purpose other than that for which it is supplied. A copy of this Remuneration Policy should not be provided to external parties.

Deviation / Waiver

Any deviations must be approved by the Conducting Officers and will be reviewed annually by the Policy Owner.

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1. **Legal & Regulatory Requirements**

This Remuneration Policy of GIL (hereinafter the “Remuneration Policy”) integrates the provisions of the European and Luxemburgish regulations related to remuneration applicable to GIL (hereinafter the “Remuneration Rules”), namely:

- the AIFM Law, transposing Directive 2011/61/EU (“AIFMD”);
- the 2010 Law, transposing Directive 2009/65/EC (“UCITS Directive”), as amended by the law of 10 May 2016, transposing Directive 2014/91/EU (“UCITS V Directive”);
- ESMA Guidelines on Sound Remuneration policies under the AIFMD (ESMA/2013/232 and ESMA 2016/579) and ESMA Guidelines on Sound Remuneration policies under the UCITS Directive (ESMA /2016/575) together “ESMA Guidelines”.

The Remuneration Policy of GIL has been designed in order to be consistent with and to promote sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the Funds managed.

The Remuneration Policy is intended to be in line with the interests of GIL and the Funds it manages and the interest of investors of such Funds and to avoid conflicts of interest.

2. **Scope of the Remuneration Policy**

2.1. **Persons which fall within the scope of the remuneration rules: “Identified Staff”**

According to the indications provided by the Remuneration Rules, and based on an internal assessment, GIL has defined its “Identified Staff” as follows:

- Executive and non-executive members of the Board of Directors of the Company (including the Chairman): 5 persons.
- Senior Management: 3 Conducting Officers, respectively responsible, as day-to-day managers for:
 - First Conducting Officer (CO1): Internal Audit, Corporate Administration and Accounting, IT, Portfolio Management, Project Management, Human Resources.
 - Second Conducting Officer (CO2): Legal & Corporate Affairs, Compliance, Sales & Marketing and Product Management.
 - Third Conducting Officer (CO3): Risk Management, Valuation, Investment Compliance, Operational and Oversight Risk Management.
- Control Functions: Already mentioned above (CO2 being the Compliance Officer, CO2 being the Risk Officer). The Internal Audit function, which reports functionally to the Board of Director and hierarchically to the CO2, has been internalised since 01-01-2020.

The following functions are not considered to be in scope:

- Investment Management: where the responsibility for portfolio management has been delegated to other Companies (delegates) either belonging to Generali Group or externally;
- Other activities, including Marketing, that have no material impact on the risk profile of GIL or managed AIFs.

Apart from the above mentioned staff, there are no other staff who receive total remuneration that take them into the same remuneration bracket as senior management and risk takers (including persons capable of entering into contracts/positions and taking decisions that have a risk impact on the profile of GIL or any AIF it manages).

2.2. **Delegation of Activities**

With regard to investment managers who belong to the Generali Group, GIL ensures that the portfolio management activities have been delegated to companies which are member of a financial conglomerate having as ultimate parent company consistent with the provisions of CRD IV (Capital Requirements Directive IV) relevant to the remuneration policies.

With regard to investment managers who do not belong to the Generali Group, GIL's oversight function ensures that the entities to which portfolio management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA guidelines.

2.3. Proportionality

Based on an internal assessment, as further detailed below, taking into consideration the size, internal organisation of the Company, nature and scope of its activities, especially the characteristics of the Funds managed, GIL intends to rely on a proportional application of the applicable regulatory requirements at the level of the Company.

As a consequence, the Company is not required to set up a remuneration committee and may neutralise the requirements relating to the pay-out process of Variable Remuneration, namely payment in non-cash instruments, retention and deferral as well as ex post incorporation of risk. All Variable Remuneration will notably be paid out in cash and not in units of the Funds under management or other non-cash instruments.

The Company has however decided, on a purely voluntary basis, to set up a remuneration committee as specified under section 3.3 infra.

The following criteria have been considered by GIL to assess the proportionality principle:

2.3.1. At the Level of GIL

a) Size

- According to the figures as of 30 December 2018, 19.44% of Asset under Management (€3,273,660,704 out of a total value of €16,842,423,116) is represented by Funds falling within the scope of the AIFMD."
- No branches or subsidiaries are provided.

b) Internal organization

- GIL is established as "*Société Anonyme*" as per Luxembourg Law;
- GIL is not listed;
- GIL is fully owned by Generali Investments Holding S.p.A.;
- The internal governance structure is not complex and has the traditional bodies (shareholders' and Board of Directors);
- The Funds are not listed.

c) Nature, scope, complexity of activities

GIL provides collective investment management services mainly, but not exclusively, to Companies belonging to Generali Group. GIL can provide management of portfolios of investment services on a collective management services basis and any kind of non-core activity such as:

- provision of investment advice;
- reception and transmission of orders in relation to financial instrument;
- Safe-keeping and administration in relation to shares or units of collective investment undertakings.

With regard to the investment management functions:

- the portfolio management is delegated to a 3rd party;
- risk management is performed internally.

With regard to the additional functions:

- the following activities have been entrusted to the depositary bank and central administration agent:
 - central administration;
 - legal and fund management accounting services;
 - customer inquiries;

- valuation and pricing, including tax returns;
 - maintenance of unit/shareholder register;
 - contract settlements;
 - distribution of income;
 - unit/shares issues and redemptions;
 - record keeping.
- Accounting of GIL is outsourced.

For the above mentioned circumstances, GIL deems it appropriate to apply the proportionality principle, with the consequences that will be described in the following Sections.

2.3.2. At the Level of the Identified Staff

The following criteria have also been considered:

- the size of obligation into which the risk takers may enter on behalf of GIL;
- the size of the group of persons, who have only collectively a material impact on the risk profile of GIL;
- the structure of the remuneration of the staff members;
- the amount of variable remuneration perceived;
- the percentage of variable remuneration over the fixed remuneration.

3. Governance

The Board of Directors, the Conducting Officers, the Remuneration Committee and the Control Functions are involved in the governance of the Remuneration Policy, as more detailed *infra*.

3.1. The Board of Directors

The Board of Directors has the following competencies and is responsible for:

- Adopting, amending, and reviewing at any time without notice and at least annually, the general principles governing the Remuneration Policy;
- Ensuring the implementation and monitoring such implementation of the Remuneration Policy;
- Designation of the employees in charge of the implementation of the Remuneration Policy;
- Reviewing, ratifying and approving the proposed remuneration of:
 - The Conducting Officers;
 - The Identified Staff members;
 - The Control Functions.
- Setting up/ratification of any new form/regime of fixed or variable remuneration/benefits, etc. to be granted in favour of employees falling within the scope of the Remuneration Policy;
- Taking all necessary measures in order to make the Remuneration Policy compliant with the Remuneration Rules, any further guidelines issued by any authorities and any requirements necessary for a healthy and efficient risk management of GIL.

The Board of Directors must inform and consult the Remuneration Committee as well as the competent corporate functions before amending the Remuneration Policy and before introducing a new element of remuneration for employees falling within the scope of the Remuneration Policy.

3.2. The Conducting Officers

The Conducting Officers of the Company are responsible for the implementation of the Remuneration Policy in accordance with the rules set forth herein and the decisions/resolutions adopted by the Board of Directors.

The Conducting Officers shall take all necessary measures for implementing the Remuneration Policy and keeping it aligned with Remuneration Rules and market development.

The Conducting Officers have to report as often as it deems necessary, but at least once a year to the Board of Directors about the implementation Remuneration Policy.

The Conducting Officers must approve the following prior to implementation:

- Changes to the remuneration or contract terms for employees whose roles are identified as “risk takers” and “control functions”.

The Board of Directors and the Conducting Officers have to collaborate with the Remuneration Committee and the relevant corporate functions on any topics related to the Remuneration Policy.

3.3. The Remuneration Committee

The Remuneration Committee is composed of three members who are appointed by the Board of Directors:

- Two independent Directors of GIL's Board of Directors
- The Chairman of GIL's Board of Directors

Third parties to GIL may be appointed as member of the Remuneration Committee. In such scenario, the Board of Directors must ensure that these persons will comply at all times with a requested confidentiality obligation in respect of the information / data of which they may become aware of in the scope of their role.

The competences of the Remuneration Committee are to:

- Advise the Board of Directors/Conducting Officers in respect of any amendment to be implemented in respect of the Remuneration Policy and on each new element of remuneration/payment to be allocated to one or more categories of employees of GIL falling within the scope of the Remuneration Policy;
- Review the on-going appropriateness and relevance of the Remuneration Policy;
- Notify to the Conducting Officers if the Remuneration Committee is of the opinion that either the Remuneration Policy has to be amended or is not implemented correctly. Such notification has to be precise, detailed and reasoned;
- Consider and make recommendations to the Board of Directors on the remuneration for the Conducting Officers, risk takers and control functions having regard to the Remuneration Policy.

The Remuneration Committee shall meet as often as required but at least annually or on request of one of the participants.

3.4. Control Functions

The control functions have been involved in the elaboration of this Remuneration Policy.

3.5. Annual Review of the Remuneration Policy and its Implementation

The implementation of the Remuneration Policy will be subject, at least on an annual basis, to a central and independent review in order to assess whether the overall remuneration system:

- operates as intended, especially that the risk-profile, long-term objectives and goals of the management company are adequately reflected; and
- is compliant with the Remuneration Rules, as amended.

The Control Functions should be closely involved in reviewing the remuneration system of the Company. The outcome of this review will be reported to the Board of Directors of GIL.

Should the periodic review reveal that the remuneration system does not operate as intended or prescribed, the Board of Directors should ensure that a timely remedial plan is put in place.

3.6. Conflict of Interest

If any member of the Board of Directors, the Conducting Officers, the Remuneration Committee members or the Control Functions shall have any conflict of interest, he/she shall indicate it to the members of the respective body and refrain from participating in any vote and decision making, if relevant.

In particular, the Conducting Officers should not take part to the decision(s) approving their own remuneration.

4. Advisory fees paid to Board Members

Members of the Board of Directors may receive a fixed fee. Board members are not covered by incentive programs and do not receive performance based remuneration. The basic fee of a Board member reflects the qualifications and contribution required in view of GIL's complexity, the extent of the responsibilities and the number of board meetings.

An extraordinary shareholder meeting took place on 2 July 2014 and resolved to allocate a remuneration to the Board members. Any such compensation has to be reimbursed to a group entity as per Group policy. The members of the Board of Directors ratified the compensation approved by the Extraordinary General Meeting of 2 July 2014.

5. Remuneration Structure Overview

GIL's remuneration system is aimed to attract, retain and motivate its staff without encouraging the taking of inappropriate risk, and is consistent with the objectives set out in GIL's strategy, and lies in:

- a proper balance of variable to fixed remuneration;
- a proper linkage of remuneration with company and individual performance;
- a consistent performance appraisal system.

The employees of GIL, except the members of the Board of Directors, who fall within the scope of the Remuneration Policy may benefit from a fixed remuneration (including fringe benefits) and a variable pay.

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. In any event, the variable component cannot represent more than 75% of the fixed component of the remuneration of an employee.

5.1 Fixed Remuneration

5.1.1 Base Salary

The amount of the base salary of the employees is determined in the respective individual contracts.

The level of base salary may be, without being required thereto, oriented on the basis of market value (around median of the market) and any other applicable standards, as for instance, a statutory minimum social wage or the indications of a collective bargaining agreement as it may be applicable from time to time. Such level of fixed remuneration shall allow employees to have an adequate standard of living.

The level of fixed remuneration shall be compatible with a healthy and effective risk management of GIL.

The fixed remuneration represents the most important part of the sums allocated by GIL to the given employees per financial year.

5.1.2 Fringe Benefits

GIL offers a package of benefits which may include:

- a pension-life-disability insurance;
- an health and medical care insurance, for the employee and eventually the family of the employee;
- a company Smartphone/blackberry;
- a company car;
- luncheon vouchers;
- an expatriation/relocation allowance;
- financial facilitations;
- Directors & Officers Insurance Policy.

5.2 Variable Remuneration

GIL may, on a purely discretionary basis, attribute to eligible employees, a variable compensation if GIL has made (for the concerned calendar/financial year) a gross profit, whereby the gross profit is determined at a stage before the payment of taxes and elements of the variable remuneration.

The total variable remuneration will be distributed to eligible employees after receipt of the opinion rendered by the Remuneration Committee to the Board and the Conducting Officers. The Management Company may decide to pay variable remuneration to eligible employees through a warrant scheme.

The Remuneration Committee will base its opinion on the appropriateness of the variable remuneration (in general and specific individual cases) according to the parameters set in this Policy and in compliance with the prevailing local regulation.

5.2.1 Performance Evaluation Process within GIL

The variable part of the remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or Funds concerned and of the overall results of GIL.

The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and futures risks.

The annual cash bonus is determined in relation to:

- Generali Group and/or GIL performance
- The achievement of the objectives as individually assigned.
- The discretion of the Conducting Officers and the agreement of the Remuneration Committee

The Conducting Officers avail themselves to a specific personnel evaluation tool, the score card, in order to determine the amount of variable remuneration to be attributed to each eligible employee. Performance criteria are established for each individual through a "score card" with goals according to the following three perspectives, including financial and non-financial criteria as follows:

1. Economic and Financial Risk-Adjusted Performance: strategic progress, business delivery, financial performance;
2. Effectiveness: process effectiveness, cost and risk control;
3. Stakeholder Engagement: customer engagement, people management, community involvement.

Such variable remuneration will be paid to the concerned employee at the latest 30 June following the end of the concerned calendar/financial year under the condition precedent that at the given moment, neither the termination nor the resignation has been notified.

GIL will, at no point in time, be obliged to grant such variable remuneration.

GIL reserves the right to withhold variable remunerations and the right to demand full or partial repayment as described below in Sections 5.5 and 5.6 respectively.

5.2.2 Determination of the Bonus Envelope

5.2.3 Specific Provisions Applicable to the Remuneration of Control Functions

Performance measures for employees responsible for control functions is based on the achievements and objectives of the functions, and their remuneration is determined independently from the performance of the specific business areas they support, therefore helping to prevent any potential conflicts of interest.

Employees who fall under this arrangement include employees in Compliance, Risk Management and Internal Audit.

5.2.4 Group Long Term Incentive

The Company's personnel may participate - if included among the beneficiaries selectively identified on the basis of common criteria defined at Group level and validated through the Talent Review process - to the Group's Long Term Incentive Plan, which is based on the accrual and assignment of Assicurazioni Generali SpA shares over a total period of 6 years, subject to the achievement of Group performance conditions and the verification of exceeding the Group's minimum gate thresholds (for further details on the Long Term Incentive Plan, please refer to the information documents available on the website of the issuer www.generali.com).

5.3 Guaranteed Variable Remuneration

Guaranteed payments (i.e. welcome bonus) can only be used in exceptional circumstances (only when hiring new staff), and is limited to the first year of employment.

5.4 Hedging Strategy

GIL monitors that employees do not use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

GIL guarantees that variable remuneration paid is not paid through vehicles or methods that facilitate the avoidance of the requirements of the Remuneration Rules.

5.5 Bonus Withholding (ex post risk adjustments)

As long as this is allowed by the applicable rules and regulations, GIL reserves the right to withhold variable remunerations in the following conditions:

- evidence of misbehaviour or serious error by the staff member (e.g. breach of code of conduct, if any, and other internal rules especially concerning risks);
- whether the Funds and/or GIL and/or the business unit subsequently suffers a significant downturn in its financial performance;
- whether the Funds and/or GIL and/or the business unit in which the staff member works suffers from a significant failure of risk management.

5.6 Claw Back (ex post risk adjustments)

As long as this is allowed by the applicable rules and regulations, GIL reserves the right to demand full or partial repayment from the individual who has been awarded variable remuneration in the following conditions:

- fraudulent conduct of staff member;
- misleading information by a staff member;
- breach of Remuneration Rules.

5.7 Discretionary Pension Policy

The Remuneration Policy of GIL does not provide the possibility to pay discretionary pension benefits, as part of the variable remuneration.

5.8 Severance

Severance provisions in the event of termination shall be as follows:

- in the event of dismissal, GIL will apply, without prejudice to any change that may be made by the legislative framework in the future, the mandatory provisions of applicable law and collective bargaining agreements;
- in the event of termination by mutual consent, the amount to be paid to the individual concerned will be defined on a case-by-case basis, based on relevant circumstances and grounds for termination (with specific reference to performance achieved, risks undertaken and effective Company operating results, so that, in particular, no amount can be paid in the event of gross negligence or wilful misconduct); the amount thus determined cannot exceed, under any circumstance, in addition to the legal and collective bargaining notice (where applicable) an amount equal to 24 month recurring remuneration (i.e. the gross

fixed annual remuneration increased by the average of the amounts effectively received by the individual by way of the short term incentive in the last 2 years).

- as to the effects of the termination on any rights that may have been assigned under the scope of share-based incentive plans, please see specific measures on long-term incentives (LTI) rules available on the website www.generali.com.

Payments relating to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure

6. Disclosure

6.1 External Disclosure

GIL will, through its Annual Report, cover qualitative and aggregate quantitative information regarding remuneration, proportionally to the dimension and the complexity of GIL.

External disclosure included in annual reports is made available to investors upon request.

6.2 Internal Disclosure

The Remuneration Policy is part of the GIL's policies and procedures and, as such, the main principles are available to all staff.

The employees are regularly informed about their remuneration, criteria used to measure performance and the link between performance and remuneration.

7. Miscellaneous

The payments / amounts allocated to employees will be treated in consideration of the relevant tax and social security provisions.

The Remuneration Policy has been discretionarily set up by GIL and may be modified at any time, without notice and without any justification by GIL.

In case of any contradiction between the Remuneration Policy and the Remuneration Rules or any other relevant statutory or regulatory provision, the latter shall prevail.

8. Group Share Plan

In line with the 2019 Generali Remuneration Policy, the Company's employees are eligible to participate to the Group Share Plan which provides the opportunity to purchase Assicurazioni Generali shares at favorable conditions.

The plan is regulated under the overall policy of the Group, is assigned under a non-discretionary base and doesn't incentivize risk taking for the Funds or the Company.

The plan will be launched on 1 October 2019 and will last 3 years. Further details are available on the website of the issuer (www.generali.com).