

**REMUNERATION POLICY**

**Vontobel Wealth Management SIM S.p.A.**

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### **About Vontobel**

At Vontobel, we actively shape the future. We create and pursue opportunities with determination. We master what we do – and we only do what we master. This is how we get our clients ahead. As a globally operating financial expert with Swiss roots, we specialize in wealth management, active asset management and investment solutions. We empower our employees to take ownership of their work and bring opportunities to life. Because we are convinced that successful investing starts with assuming personal responsibility. We relentlessly question the achieved, striving to exceed the goals and expectations of our clients. The registered shares of the Vontobel Holding AG are listed on the SIX Swiss Exchange. The Vontobel families' close ties to the company guarantee our entrepreneurial independence. We consider the resulting freedom an obligation to assume social responsibility as well. As of December 31, 2020 Vontobel advised CHF 248.2 billion of total client assets. Around the world and in our home market, we serve our clients from 26 locations.

## 1. Executive Summary

The remuneration policy of Vontobel Wealth Management SIM S.p.A. (hereinafter, "**SIM**" or "**Company**"), approved on November 23<sup>rd</sup>, 2020 by the Board of Directors ("**Remuneration Policy**" or "**Policy**"), has been adopted for the employees and collaborators of the Company ("**Employees**" or "**Staff**"), including the relevant staff whose professional activities have a material impact on the Company's risk profile ("**Relevant Staff**").

Since the SIM is part of the group controlled by Vontobel Holding AG ("**Vontobel Group**"), the Policy has been issued in accordance with the remuneration policy adopted at a group level, updated as of May 2018 ("**Vontobel Group Compensation Policy**").

In particular, the Remuneration Policy:

- describes the main principles considered at Vontobel Group level;
- describes the remuneration structure;
- describes the governance structure and the related procedures used for the adoption and implementation of the Policy; and
- includes the list of Relevant Staff.

The Policy has been drawn up according to the Bank of Italy Regulation which implements MiFID II and MiFIR and according to the provisions of Circular no. 285 of Bank of Italy and the EBA Guidelines, as defined below. In this regard, the Remuneration Policy has been issued in accordance with the regulatory provisions which refer to the so-called minor intermediaries, namely the fourth macro-category of intermediaries, which the SIM belongs to, as defined in the Guide to Supervisory Activities on common procedures and methodologies for the supervisory review and evaluation process (SREP) adopted by the Bank of Italy within Circular no. 269 and under Art. 17 of Bank of Italy Regulation ("**Minor intermediaries**").

## 2. Objective and Purpose

The Policy defines the remuneration policy of SIM's Staff, including the Relevant Staff, considering the remuneration policies and procedures of Vontobel Group, in order to ensure:

- consistency with the strategy, objectives and values of Vontobel Group and the Company;
- consistency with the SIM risk appetite, capital requirements and liquidity;
- medium-long term interests consistent with the defined Environmental, Social and Governance (ESG) risks and goals of SIM and in line with the overall Vontobel Group ESG strategy; and
- avoidance of any conflicts of interest.

In this regard, the Policy applies the general principles provided by Vontobel Group Compensation Policy and the Vontobel Share Participation Plan Regulation, updated as of March 2019 ("**Vontobel Group Share Plan**").

The SIM remuneration system shall not create any conflict of interest neither lead Relevant Staff to favor their own interests or the Company's interests against a correct relationship with clients.

Therefore, in accordance with the provisions of law, regulations and self-discipline, the Policy is not focused exclusively on commercial aims, but it intends to contain the risks that could compromise the reputation of the SIM.

In particular, the Remuneration Policy has been drafted to:

- align Company and stakeholders' interests in the short, medium and long term; and
- ensure a balance between fixed and variable components of remuneration to best serve the interests of clients and to avoid distorted incentives.

According to the international and national best practices and requirements provided by EBA Guidelines, Circular no. 285 of Bank of Italy, Bank of Italy Regulation, as defined below, the Policy issues the list of the Relevant Staff, namely those employees who have specifically been identified as members of administrative and managerial bodies or other Employees whose professional activities have or could have a relevant impact, directly or indirectly, on the risk profile of the SIM.

## 3. Regulatory Framework

The Remuneration Policy has been issued according to European and Italian regulations in order to ensure the governance process, the definition of the remuneration structure and the transparency towards the shareholders. The Policy refers and is compliant with the requirements of:

- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended from time to time ("**CRD IV**");
- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms ("**CRR**");
- Commission delegated Regulation (EU) No 604/2014 about regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile ("**RTS on the identification of the relevant staff members**");

EU Regulation 2019/2088/EC ("**SFDR**") on sustainability-related disclosures in the financial services sector

- EBA Guidelines on sound remuneration policies, EBA/GL/2015/22 (27/06/2016) ("**EBA Guidelines**");
- Bank of Italy Circular No 285/2013 ("**Bank of Italy Circular 285/2013**");
- Bank of Italy Regulation implementing Articles 4-undecies and 6, paragraph 1, letters b) and c-bis) of Legislative Decree No 58/2018, as amended from time to time ("**Bank of Italy Regulation**").

## 4. Governance of Remuneration Policy

The remuneration governance model of the SIM aims to ensure the correct management and full supervision of remuneration practices by the corporate bodies and Internal Control Functions.

At group level, the Board of Directors of the Vontobel Group reaches a decision on the annual bonus pool. The total bonus pool is divided into smaller bonus pools for each business unit and support unit by the CEO of the Vontobel Group based on

various quantitative and qualitative criteria, which may include (but are not necessarily limited to) as follows:

- Results and other financial indicators;
- Achievements (Projects etc.);
- Changes in FTE; and
- Guaranteed Bonuses.

The distribution of the bonus pool at the single business entity level, is also subject to compliance with all of the following activation conditions ("gate") to be reached by the SIM:

- a) Capital requirements ratio as defined by art. 92 reg. UE 575/2013 (CRR) greater or equal to 10%
- b) Net new money >0 risk adjusted

This principle will be applicable in the first three financial years of SIM's operations, still considered as start-up phase, in order to allow the necessary investments to allow the growth of the collected assets under management (and the NNM) and to achieve the adequate profitability.

In addition to the above-mentioned quantitative criteria, the payment of variable bonuses is also subject to compliance with the quality criteria described in the following paragraphs.

The size of the bonus pool, the calculation methods and criteria for awarding and vesting variable remuneration, as well as the performance evaluation systems (i.e. both quantitative and qualitative KPIs), are defined in detail in the implementing regulations adopted by the SIM.

According to Bank of Italy Circular 285/2013 and Bank of Italy Regulation, the Remuneration Policy is approved, on the proposal of Supervisory Function (i.e. Board of Directors), by the SIM's ordinary Shareholders' Meeting at least once a year. Shareholders' Meeting is also required to vote in the event of every material change of the Remuneration Policy.

The ordinary Shareholders' Meeting, that shall be kept clearly and promptly informed on the remuneration and incentive policies:

- at least once a year approves the Policy;
- approves any plans based on financial instruments; and
- approves the criteria for the determination of any amounts to be granted in the event of early termination of Staff, including the limits of the fixed remuneration (e.g. parameter on yearly basis and the maximum amount).

The Board of Directors:

- defines the main principles and directives with the competent internal functions and submits the final document to the Shareholders' Meeting;
- reviews the remuneration schemes at least once a year and it is responsible for its proper implementation;
- informs adequately the Staff on the Remuneration Policy; and

(<sup>1</sup>) See Circular no. 285 (Part I, Title IV, Chapter 2, Section III, par. 3. Indeed, compliance with the principles set by Circular no. 285 means that the SIM - albeit with lower percentages and periods than those indicated therein - defers

- ensures that competent Internal Control Functions (in particular, Risk Management, Compliance and Internal Audit functions) are involved in the design process

## 5. General Principles. The proportionality principle

The Policy is issued in order to ensure that the interests of all stakeholders are strongly aligned and long-term oriented, in accordance with the following key principles of Vontobel Group:

- pay for performance;
- drive culture;
- alignment to long-term interests;
- competitive compensation; and
- compliance.

Among others, the remuneration system and the identification of Relevant Staff of the Company are designed according to the proportionality principle, taking into consideration also that the SIM belongs to the Minor Intermediaries category.

Therefore, following the self-assessment exercise, the SIM complies with the requirements in a way that is appropriate to its size, internal organization, nature and complexity of its activity and products. In this regard, the Company has considered a combination of all the following criteria:

- the balance sheet total or the quantity of assets held;
- the size of the operations;
- the legal form and the available equity and debt instruments;
- the authorization to use internal methods for the measurement of capital requirements;
- the proportionality assessment done for the group;
- the type of authorized activity and services;
- the underlying business strategy;
- the structure of the business activities and the time horizon, measurability and predictability of the risks of the business activities;
- the internal organization, including the level of variable remuneration;
- the structure of profits and losses;
- the type of clients; and
- the complexity of the products or contracts.

In compliance with the provision of Bank of Italy's Circular 285/2013, Part I, Title IV, Chapter 2, section I, par. 7, since the Company belongs to Minor Intermediaries category, in accordance with the proportionality principle, it shall:

- comply with the requirement to defer a portion of the variable remuneration (which is higher for particularly relevant amounts) set by Circular no. 285 in a way that is appropriate to its size (see par. 7.2), setting a **deferral period** of not less than 1 (one) year; (<sup>1</sup>)

part of Relevant Staff's variable remuneration for an appropriate period of time; the obligation to pay the deferred portion of variable remuneration not earlier than 1 year after the end of the accrual period applies in any case

- not apply provisions on discretionary pension benefits.
- Since the SIM intends to pay part of the variable remuneration in financial instruments, it is required to apply all the rules set out in Circular no. 285 (Part I, Title IV, Chapter 2, Section III, par. 2.1, point 3), including rules on retention periods. To this end, the SIM shall comply with this requirement in a way that is appropriate to its size, setting a **retention period** of 1 (one) year

## 6. Categories of Staff

The Remuneration Policy applies to all the Personnel according to the different categories, they belong to, as members of the corporate bodies, staff members and other employees.

In particular, the main categories of the SIM Personnel are identified as follows:

- Members of Board of Directors;
- Members of Board of Statutory Auditors;
- Employees (divided into Top Management such as Executive Directors, Directors, and staff members, considering their contractual relationship with the SIM);
- other employees and collaborators (including self-employees such as tied agents qualified for door-to-door selling which cooperate with the SIM (“Advisors”).

### 6.1 SIM Self-assessment process and identification of Relevant Staff

The SIM identifies, on an annual basis, the Relevant Staff whose professional activities have a material impact on the Company’s risk profile.

The process of identification is based on qualitative and quantitative criteria, according to RTS on the identification of the relevant staff members and Bank of Italy Circular 285/2013. They, respectively, refer to (i) professional activities, seniority and expertise which could impact on the institution’s risk profile and to (ii) significant remunerations already received by Staff.

The SIM has not identified additional standards considering that those criteria allow the identification of all the subjects taking significant risks for the Company.

The identification procedure of Relevant Staff involves the following Company’s corporate bodies and functions:

- the Board of Directors determines the remuneration of the Relevant Staff, ensuring that it is consistent with the Company’s risks assumption, strategy, long-term objectives, the structure of corporate governance and internal controls;
- the COO manager the process of formulating the remuneration and incentive policy, and ensures the coordination of the relevant functions for their own responsibilities;
- the Risk Management Function contributes to the correct application of the criteria and identification of them verifying the alignment of the remuneration system to the risk profile of the SIM;

- Compliance Function supervises the identification process in compliance with legislation, regulations and internal policies in force; and
- Internal Audit Function verifies annually the compliance of the process with the relevant regulations informing the Board of Directors of assessment’s outcome.

However, the SIM organizational structure is constantly monitored in order to detect any changes that may require extension or reduction of Relevant Staff. In this regard, it is worth noting that Compliance Function and Internal Audit Function are outsourced.

On the basis of the aforementioned regulatory framework, upon the outcome of the self-assessment process performed for the first time in the 2020 financial year, the year the business was launched, the SIM has identified the following Relevant Staff:

- Board of Directors (included Chief Executive Officer) and Statutory Auditors;
- Chief Sales Officer;
- Chief Investment Officer,
- Chief Operating Officer;
- Heads of Internal Control Functions;
- Some Relationship Managers.

## 7. Remuneration Structure of Staff. Criteria and Requirements

The overall remuneration structure adopted by the SIM as regards its Staff is composed by the fixed and variable components. The ratio between both components is properly balanced for all Staff members; it is determined and carefully assessed so that the remuneration structure does not prefer the interests of the SIM against the interests of any client.

According to Bank of Italy Circular 285/2013, for Relevant Staff the maximum ratio between the two components shall not be higher than 100% (variable/fixed 1:1). However, in compliance with the applicable regulatory provisions, the SIM has adopted a ratio equal to 200% (2:1) for the Relevant Staff, in particular for the Chief Executive officer.

In particular, the remuneration structure is based on:

- Fixed component: (i) base pay; (ii) fringe benefits; (iii) pension
- Variable components: (i) Cash bonus ); (ii) long-term incentive plan. Entry bonuses, retention bonus and Severance payments are also part of the variable remuneration.

### 7.1 The fixed component of remuneration

The fixed component of the remuneration is the predetermined base pay which reflects the level of professional experience and seniority of Staff. It includes the so-called base salary.

The base pay of each Employee is defined in the employment contract. It comprises the monthly fixed salary and depends on the Employee’s position within the company (role, responsibility and impact of the function as well as the individual’s demonstrated professional skills, capabilities and experience).

In addition to the base salary, as part of the remuneration's fixed part, employees will receive fringe benefits which depend on where the individual is located. They may include such as specific pension schemes, luncheon vouchers, mobile phone or telephone expenses, laptop and company car, insurance policies.

## 7.2 The variable component of remuneration

The variable component of remuneration is issued on performance indicators and operating risks of the SIM as well as of the Vontobel Group. In particular, at least on annual basis the Company will consider past performance (concerning at least the previous year) and future performance also considering the level of capital resources and liquidity required to meet the activities and investments undertaken.

The variable component (i.e. Total Bonus) aims to motivate Staff to strive for exceptional long-term performance. It is based on the performance of Vontobel Group, of the Company's performance, of areas where the Staff belongs as well as the individual performance. The performance evaluation systems (i.e. both quantitative and qualitative KPIs), are defined in detail in the implementing regulations adopted by the SIM which are aligned to the following criteria.

The variable component of Staff's remuneration considers the performance indicators, quantitative and qualitative elements, which include:

- all current risks including ESG risks;
- expected losses;
- estimated unexpected losses; and
- stressed conditions associated with the institution's activities before the awarding of the remuneration (the so-called "ex ante risk adjustment").

With respect to qualitative indicators, these include:

- compliance with applicable laws and regulations,
- acting in the client's best interest;
- compliance with internal procedures and the internal code of conduct.

Evidence received by the Internal Control Functions regarding any adverse events with respect to risk, compliance, anti-money laundering and internal audit aspects must also be taken into account in the awarding/payment of Staff's variable remuneration.

The Total Bonus is split into:

- Cash Bonus;
- Long-Term Incentive Plan:
  - Bonus Shares (upfront component); and
  - Performance Shares (deferred component, the right to receive Performance Shares is awarded together with Bonus Shares and Vested 1 year after the end of the Performance Period).

For details of that scheme, please refer to the Vontobel Share Participation rules.

Guaranteed variable remuneration is not allowed because it does not meet the objectives set by regulatory provisions (link to performance and risks), in exceptional cases and according to the prudential requirements, the SIM may recognize forms of guaranteed variable remuneration (the so-called "entry bonus") in relation to the recruitment of new Staff

The remuneration and incentive system adopted by SIM with particular reference to employees and collaborators qualified as "Relevant Staff" provides, in addition to the principles already provided for and applicable to all Staff, also the following more stringent and precautionary rules:

- a) the ratio between the variable and the fixed component of individual remuneration cannot, in general, exceed 200% (ratio of 2:1);
- b) the variable component is subject, for a portion equal to at least 10%, to deferral mechanism for a period not less than 1 year, in order to ensure the evaluation of the performance over time of the risks assumed by the SIM (so-called malus mechanisms).
- c) For Relevant Staff having a variable annual remuneration equal or higher than Eur 420.000, such remuneration is considered as being of a "particular high amount" <sup>(2)</sup> and consequently, a portion of at least 15% of the variable component is subject to deferral mechanism for a period of not less than 2 years;
- d) since the SIM awards or pays part of the variable remuneration in financial instruments, such variable remuneration complies with the following provisions:
  - i. the SIM awards at least 25% of the total variable remuneration in financial instruments;
  - ii. prohibition of paying any interest or dividends on financial instruments which have been awarded as variable remuneration under deferral arrangements to Relevant Staff; this means also that interest and dividends payable during the deferral period should not be paid to Staff after the deferral period ends;
  - iii. financial instruments are subject to a blocking period from the date on which they are paid/vested (so-called retention period), for a period of at least 1 year.

With particular reference to the above principles relating to the balancing and deferral of the variable component, the SIM has decided to implement a specific "materiality" criteria, below which these rules will not be applied in the awarding and vesting of the variable component of remuneration.

In particular, the SIM has established to apply the criteria of materiality and, consequently, the exemption from the principles of deferral and application of the principles relating to the balancing of the variable component under let. c), to all Staff who have been awarded with a variable remuneration (Total Bonus) equal or lower than 60.000 Euro, on a yearly basis (such variable compensation will be paid out in cash and up-

<sup>(2)</sup> Particularly high variable remuneration is defined as the lower of: i) 25 % of the average total remuneration of Italian high earners, as resulting from the most recent report published by the EBA; ii) 10 times the average total remuneration of SIM's employees. The

level of variable remuneration which for the SIM represents a particularly high amount is updated at least every three years.

front). It is expressly understood that such exemption shall not apply to Staff who opt to have part of their Cash Bonus in Bonus Shares in compliance with the rules set by Vontobel Share Participation Plan.

#### 7.2.1. Disclosure and Data Transmission

The Company wants to recognize Employees who deliver outstanding results and contribute to the realization of business goals through bonus. Therefore, the Cash Bonus is a variable compensation paid to Employee in cash.

The bonus is a short-term that rewards Employees for the contributions they made during the previous business year. It is generally paid out up-front in the first quarter of the year on a retrospective basis for the previous year.

For Relevant Staff, a portion of the Cash Bonus is subject to a deferral mechanism for a period of at least 1 year in compliance with the provision set by paragraph 7.2, let. b).

Cash Bonus is also subject to "malus" and "claw-back" mechanisms, as highlighted under paragraph 8 below.

#### 7.2.2. Bonus Shares

Bonus Shares are part of variable compensation.

Bonus Shares are paid upfront.

In particular, the Company appoints shares of Vontobel Holding AG purchasable by Employees at a discounted price of 80% of the relevant market price.

In addition, a blocking period (so-called retention period) of three years is applied to all Bonus Shares.

Bonus Shares are also subject to "claw-back" mechanisms, as highlighted under paragraph 8 below.

#### 7.2.3. Performance Shares

Performance Shares are part of variable component (right to receive additional shares); the same are awarded at the time of vesting of Bonus Shares and may be allocated ("vested") free-of-charge one year after the end of the Performance Period to Employees who hold Bonus Shares.

Every Performance Period begins on 1 January of the year in which the Cash Bonus payment is made and has a duration of three years (the "**Performance Period**").

Performance Shares are subject to a deferral period and ends at the earliest one year after the last performance condition has been assessed (i.e. one year after the Performance Period has ended).

Awarding and vesting of Performance Shares depends on the business performance of Vontobel Group, of the Company's performance, of areas where the Staff belongs as well as the individual performance (in any case, Performance Shares are allocated within the limits set by par. 7.2 lett. a).

In addition, a retention period of at least one year is applied to all Performance Shares.

Performance Shares are also subject to "malus" and "claw-back" mechanisms, as highlighted under paragraph 8 below.

#### 7.2.4. Entry Bonus

In relation to the recruitment of new Staff and within the limits of the first year of employment, the SIM may grant Staff a

guaranteed variable remuneration ("welcome bonus", "sign-on bonus", "minimum bonus", "entry bonus") ("**Entry Bonus**").

The Entry Bonus may not be awarded more than once to the same person, neither by the SIM nor by any other Vontobel Group entity.

The Entry Bonus is not subject to the rules on the variable remuneration structure; it contributes to determining the limit of the variable/fixed ratio of the first year of employment unless it is paid in a lump sum at the time of hiring.

#### 7.2.5. Retention Bonus

The SIM may make use of retention bonuses (variable remuneration awarded on the condition that staff stay in the SIM for a predefined period of time), against justified and documented reasons related to the opportunity to keep a specific resource in service with the Company for a predetermined period of time and/or linked to a specific event (e.g. completion of a corporate restructuring process or an extraordinary operation).

Any retention bonuses aimed to retain Staff:

- should be awarded after the retention period ends or the retention condition is met subject to compliance with the activation conditions ("gate") specified under par. 4 and within the overall limits of the bonus pool amount;
- contributes to the calculation of the bonus cap between the variable and fixed component of the remuneration of Relevant Staff. In particular, the amount awarded as retention bonus should be taken into account either:
  - as an annual amount in each year of the retention period which is calculated on a linear pro rata basis independent of the fact that the full amount is awarded after the end of the retention period; or
  - as a full amount in the year in which the retention condition is met;
- are subject to deferred payment systems in accordance with the provision set by par. 7.2 where the same are provided to Relevant Staff;
- are subject to the malus and claw-back mechanisms set out under par. 8.

### 7.3. Termination of employment or early termination (Severance)

The procedure of termination of employment or retirement has been designed in accordance with the Company's strategy, the objectives, values and long-term interests of the SIM.

In particular, all agreements that provide the recognition of payment or other benefits in the event of termination of the employment relationship or early termination of office, for the amount exceeding the provisions of the National Collective Labor Contract (CCNL) regarding the indemnity in lieu of prior notice, constitute the so-called severance which must comply with the criteria and limits set by the Shareholders' Meeting.

Furthermore, upon termination of the employment relationship, the obligation of non-competition may apply, if established within the contractual relationship between the SIM and Staff. The non-competition agreement is included in the notion of variable remuneration based on the total amount paid.



To this end, the following remuneration payments:

- should not be considered "Severance" payments:
  - indemnity in lieu of prior notice for the quota defined by the National Collective Labor Contract (CCNL);
  - Non-competition agreement (for the component equivalent to the last year of fixed remuneration)
- should be considered "Severance" payments:
  - agreement to extend the prior notice period
  - indemnity in lieu of prior notice for the portion in excess of what is provided for in the National Collective Labor Contract (CCNL)
  - Settlement agreements
  - Non-competition agreement (for the component exceeding the last year of fixed remuneration)

The SIM, in view of or on the occasion of the (early) termination of the employment relationship, as part of an agreement for the settlement of a current or potential dispute <sup>(3)</sup>, reserves the right to recognize - in addition to any prior notice due (i.e. the equivalent of the relevant indemnity in lieu of notice) pursuant to law and collective bargaining - payments or other benefits (hereinafter also "**Severance**").

Severance payments are determined by taking into account the following factors: the performance achieved, and the risks assumed by Staff and the SIM, the SIM's capital and liquidity levels. In addition, the Company consider the duration of the employment, the amount of the fixed and variable remuneration, the role covered, the reasons for the eventual early termination and the risk of litigation, age and any other relevant special conditions. In defining the amounts to be paid, the SIM also takes into account the reduction in costs achieved with the early termination of the relevant contract.

Normally, the early termination of the employment relationship does not provide, recognition of Severance payments. Therefore, any individual agreements have an exceptional character and are subject to the following conditions.

### 7.3.1. Maximum limits of Severance payments

Severance payments may be awarded within the criteria and limits (in terms of fixed annual remuneration) approved by the Shareholders' Meeting.

In particular, for the purposes of calculating the bonus cap, Severance payments are cumulated with the bonus for the last year of stay at the SIM (last performance period), excluding the amounts agreed and awarded:

- on the basis of a non-competition agreement, for the portion that, for each year of the agreement's duration, does not exceed the fixed remuneration of the last year of stay at the SIM;
- as part of an agreement for the settlement of a current or potential dispute, if calculated according to a

<sup>(3)</sup> Without prejudice to the exceptions provided by Circular 285, Title IV, Chapter 2, Section III, par. 2.2.3.

predefined calculation formula formalized within the SIM's internal regulations.

### 7.3.2. Access conditions and determination of Severance payments amount

Severance payment must reflect the results achieved over time <sup>(4)</sup> and assess, where relevant the severity of any failure or abuse. To this end, they must be appropriately justified and linked to:

- i. performance, net of risks, and the SIM's capital and liquidity levels (i.e. the SIM's failures);
- ii. performance, net of risks, and individual conduct (i.e. individual failures).

As for point (i), failures of the SIM include the following situations:

- where the SIM benefits from government intervention or is subject to early intervention or resolution measures in accordance with Directive 2014/59/EU;
- procedure for extraordinary administration, termination or compulsory administrative liquidation has been initiated against the SIM;
- the SIM does not have a solid capital base due to significant losses.

With respect to condition (ii), individual failures should be assessed on a case-by-case basis and include the conducts and violations listed under par. 8 of this Policy.

### 7.3.3. Payment methods

Severance payments are assimilated to variable remuneration. Therefore, the payment methods differs based on whether such subject has been identified as Relevant Staff or not).

In particular, for Relevant Staff, the variable remuneration deriving from Severance payment is subject, for a portion equal to at least 10 % to a deferred payment system of at least 1 year. In particular, the deferred portion shall be paid after 12 months from the disbursement period of the first payment tranche. In the event that the variable remuneration of Relevant Staff is less than Euro 60,000 (i.e. materiality threshold), in application of the principle of proportionality, the provisions set out in the previous paragraph regarding the deferral payment mechanism shall not apply. Therefore, 100% of the amount awarded as Severance payment may be paid upfront.

Severance payments to all Staff are also subject to "malus" and "claw-back" mechanisms, in accordance with the provisions set under par. 8.

## 8. Malus and clawback

The variable remuneration allocated to SIM's Staff is subject to specific ex post mechanisms (malus and clawback), in order to adjust the remuneration based on performance or risk related. This may lead to a reduction and set to zero the variable remuneration, especially when performance results are

<sup>(4)</sup> It is expressly understood that the awarding of Severance payments is subject to compliance with the activation criteria ("gate") provided for under paragraph 4.

below the expectations or if the liquidity of the Company is not solid.

The Company identifies the criteria for the application of the above mechanisms taking into consideration eventual misconduct or serious error by the Personnel (e.g. breach of code of conduct; significant failure of risk management).

In particular, for all Staff, variable remuneration may be reduced or suspended (malus) upon the occurrence at least one of the following events:

- submission of complaints by Client, accepted by the SIM and related to facts or conducts directly attributable to the concerned Staff member;
- conducts resulting in significant loss or serious reputational damage for the SIM and/or the Group;
- the imposition of an administrative sanction on the SIM, in relation to which the competent Authority has identified an active or ommissive contribution by the concerned Staff member;
- report of the Audit function on the actions of the concerned Staff member with a negative or partially negative opinion;
- violation of the obligations imposed by the regulations by the concerned Staff member;
- fraudulent conduct of the concerned Staff member, with negligence or serious misconduct, to the detriment of the SIM;
- disciplinary measures taken by the Company against the concerned Staff member.

In addition, the SIM provides for specific claw back mechanisms with reference to the variable component paid to Staff that have determined or contributed to determine:

- conducts that do not comply with legal, regulatory or statutory provisions or any codes of ethics or conduct applicable to the SIM, resulting in a significant loss for the SIM or its clientele;
- violations of the obligations imposed pursuant to Article 13 of the TUF or, when the person is an interested party, Article 53, paragraphs 4 et seq. of the TUB (if applicable) or the obligations regarding remuneration and incentive policies;
- fraudulent conduct or gross negligence to the detriment of the SIM.

In addition, the SIM provides that the minimum duration of the period during which the claw back clauses of Staff are applied is not less than 5 years and that this period is calculated starting from the payment of the single quota - up-front or deferred - of variable remuneration.

## 9. Remuneration of Relevant Staff and other Staff

The SIM applies the applicable regulatory requirements according to the proportionality principle, in order to define the remuneration of the Relevant Staff and other Staff, as follows.

### 9.1. Remuneration of Board of Directors and Board of Statutory Auditors

The Board of Directors is composed by no. 5 members. The Independent Director and the Chief Executive Officer are remunerated by the SIM; the other three members (included the President) are remunerated at group level in compliance with

Vontobel Group remuneration policy. The remuneration is calculated on a yearly basis.

Board of Statutory Auditors receive a remuneration on a yearly basis, that is composed by fixed component only. In accordance with the regulatory requirements, they do not receive any kind of incentive.

### 9.2. Remuneration of Chief Executive Officer

The Chief Executive Officer (the “CEO”) receives a remuneration composed by fixed and variable components.

The remuneration has been agreed between the SIM and the CEO in consideration of the nature of the specific features of the employment contract according to the National Collective Bargaining Agreement for Executives of the Credit and Financial Companies (the “NCBA”).

As regards the variable component, for each year of the duration of the employment, the CEO may be entitled to an annual bonus that differs on a yearly basis and depends on quantitative and qualitative KPIs (e.g. total asset or total income of the Company) and in accordance with the terms and conditions of the incentive plans applied by the Company and in any case consistent with the incentive plans adopted by Vontobel Group.

### 9.3. Remuneration of other Relevant Staff

Further to the CEO, the other Relevant Staff include the Directors as follows.

The Chief Sales Officer (the “CSO”) receives a remuneration composed by a fixed and variable component.

The remuneration has been agreed between the SIM and the CSO in consideration of the nature of the specific features of the employment contract according to the NCBA.

As regards the variable component, for each year of the duration of the employment, the CSO may be entitled to an annual bonus, that differs on a yearly basis and depends on quantitative and qualitative KPIs (e.g. total asset or total income of the Company) in accordance with the terms and conditions of the incentive plans applied by the Company and in any case consistent with the incentive plans adopted by Vontobel Group.

The remuneration of the Chief Operating Officer (the “COO”) and the Chief Investment Officer (the “CIO”) is composed by a fix and variable component. The fix component is considered as the “Base Remuneration”. As regards the variable component, it is connected to the Directors’ performances, to the performance of the Company itself, achievement of individual and Company targets.

### 9.4. Remuneration of Internal Control Functions’ staff

Considering the independence and professionalism requirements, the remuneration of the Relevant Staff of the Internal Control Functions (i.e. Head of Risk Management function, that is also in charge of the outsourced Compliance and Anti-money laundering Functions) is mainly fixed and adequate to the significant responsibilities and role.

The remuneration of the Internal Control Functions’ staff is mainly fixed. The eventual variable component of the remuneration is not calculated on results and performance of the Function.

### 9.5. Remuneration of Relationship Managers

The Relationship Managers (the "RM") receive a remuneration composed by a fixed and variable component.

The remuneration has been agreed in consideration of the nature of the specific features of the employment contract according to the NCBA. As regards the variable component, and without prejudice to the 1 year accrual period, the RM may be entitled to an annual bonus, which depend also on quantitative and qualitative KPIs, (e.g. total asset or total income of the Company) in accordance with the terms and conditions of the incentive plans applied by the Company and in any case consistent with the incentive plans adopted by Vontobel Group.

### 9.6. Remuneration of Advisors

The SIM has drawn up the remuneration of Advisors which cooperate with the SIM in its activity, in order to ensure the best protection of the client's interest compliant with the regulatory requirements.

The Company may benefit from the contribution of a very limited number of external collaborators not linked by employment relationships, whose recourse is motivated by extraordinary needs - such as, for example, project activities - or by the specific professionalism, skills and specialist experience of ad hoc subjects identified.

The remuneration received by Advisors, due to the very nature of their contractual relationship with the SIM (whose work is autonomous and characterized by an entrepreneurial activity which is reflected in the way in which remuneration is provided), is entirely variable and consist mainly of commissions ("*provvigioni*").

Without prejudice to the fact that commissions do not "per se" have an incentive value, Advisor's remuneration may be broken down as follows:

- "recurring" component (assimilated to "fixed" remuneration): representing the ordinary and standard part of the remuneration. Commissions ("*provvigioni*") are normally considered as part of the recurring component;
- "non-recurring" component (assimilated to "variable" remuneration): the amount of which is connected to qualitative and quantitative performance indicators (linked, for example, to the increase in net funding volumes, etc.) and therefore have an incentive function for Advisors.

The distinction between the "recurring" and "non-recurring" component of the remuneration granted to Advisors is adequately formalized in specific regulations adopted by the SIM. In any case, the forms of remuneration applicable to such a limited number of collaborators, despite the peculiarity of the aforesaid collaborative relationships, are aimed to:

- to avoid that the incentive systems (and the related evaluation system) produce distorting effects on Advisors' behavior. To this end, the SIM considers the best practices set out in the ESMA Guidelines on remuneration policies and practices (MiFID);

- not to create conflicts of interest or incentives that could induce Advisors to favor their own interests (or the interests of the SIM) to the potential detriment of clients;
- ensure that fairness in client relationships is a relevant element in the definition of incentives.

It is expressly understood:

- that the awarding of the "non recurring" component is subject to compliance with the activation criteria ("gate") provided for under paragraph 4;
- the size of the bonus pool, the calculation methods and criteria for the bonus payment (i.e. the "non recurring" component), as well as the Advisors' performance evaluation systems (i.e. both quantitative and qualitative KPIs), are defined in detail in the SIM's internal regulations. In this sense, Advisors only reach the KPIs when their activities are carried out in compliance with the principles of fairness required in the management of client relations and with a view to containing related legal and reputational risks; this with particular reference to the activities concerned by the "non-recurring" component, given that this activity has as its main objective the best satisfaction of client interests in compliance with the regulations governing the distribution of investment products and services;
- the "non recurring" component is subject to the "malus" and "claw-back" mechanisms, in accordance with the provisions set under par. 8.
- In addition to rules set above, for Advisors identified as Relevant Staff, the remuneration is always composed of a "recurring" and a "non recurring" component. The "recurring" and "non-recurring" component are appropriately balanced. The remuneration of Advisors identified as Relevant Staff is also subject to the more detailed rules (e.g. bonus cap, deferral of variable remuneration, retention periods, etc.) as set under par. 7.2 of this Policy.

### 10. Disclosure and Data Transmission

The Company complies with the regulatory requirements on internal and external publication according to the proportional-principle.

The Board of Directors is responsible for making the Policy accessible to all Employees of the Company. For this purpose, any subsequent amendments are provided to all staff members. The Employees are regularly and clearly informed, by email or publication on the internal website, about their compensation, criteria used to measure performance and the link between performance and remuneration

According to Article 450 of CRR, the SIM discloses the required information on its website regarding the remuneration policy and practices adopted. Furthermore, the Company transmits to Bank of Italy the data and information on remuneration system, as provided by Bank of Italy Circular 285/2013 and Communication of the Bank of Italy of 7 October 2014 on the collection of remuneration data from banks and investment firms.