



**Summary of
Mediolanum International Funds Limited (“MIFL”)
Remuneration Policy (the “Policy”)**

Introduction

MIFL is authorised by the Central Bank of Ireland (the “Central Bank”) as a UCITS management company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) (the “UCITS Regulations”) and acts as manager of CHALLENGE Funds, Mediolanum Best Brands and Mediolanum Portfolio Fund (the “UCITS Funds”). The UCITS Funds are authorised as undertakings for collective investment in transferable securities (“UCITS”) pursuant to the UCITS Regulations, with multiple sub-funds.

The Company is also authorised by the Central Bank as an Alternative Investment Fund Manager (“AIFM”) pursuant to the European Union (Alternative Investment Fund Managers) Regulations, 2013 (the “AIFMD Regulations”) and acts as AIFM to the Mediolanum Fund of Hedge Funds (the “AIF” or together with the UCITS Funds as the “Funds”).

The Policy remains under regular review and will be updated as required to ensure compliance with all regulatory obligations. It has been reviewed and updated as appropriate following the publication of the ESMA Final Report - Guidelines on sound remuneration policies under the UCITS Directive and AIFMD (ESMA/2016/411) – 31 March 2016 and is therefore in line with the requirements set out in the UCITS V Directive (2014/91/EU).

MIFL is also a subsidiary of Banca Mediolanum S.p.A. which is listed on the MTA organised and managed by the Borsa Italiana S.p.A. Banca Mediolanum S.p.A. is authorised under the rules of the Bank of Italy. MIFL is therefore also subject to the Mediolanum Group Remuneration Policy (the “Group Policy”).

Objectives and Scope of the Policy

Preparation: the Policy has been prepared by the Compliance Department and reviewed by both the Human Resources Department and the Managing Director. In drafting this Policy the Compliance Department has endeavoured to ensure that employee incentive mechanisms are not in conflict with the best interest of either MIFL’s clients or the funds under management.

Approval: the Policy was approved by the Board of Directors on 30th March 2016 (the “Board”) and applies to all employees as well as non-executive directors of the Board and freelance contractors.

Objective: The Policy sets out the remuneration policy of MIFL, including the principles governing how MIFL remunerates its members of staff including “Identified Staff”. It reflects MIFL’s objective for sound corporate governance and is aligned with MIFL’s business strategy and values. In addition, it ensures that:

- MIFL is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- the interests of both employer and employee are well aligned;
- MIFL meets its long term business objectives.

Purpose: the purpose of the Policy is to seek to ensure that the remuneration arrangements of “identified staff”:

- are consistent with and promotes sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of MIFL or the Funds; and
- are consistent with MIFL’s business strategy, objectives, values and interests of MIFL, the Funds and their investors and includes measures to avoid conflicts of interest.

MIFL complies with the above objectives by:

- having a business model which by its nature does not promote excessive risk taking;
- defining performance goals and objectives for all employees that are aligned with the business; and
- ensuring the fixed remuneration element for each employee reflects the market rate.

Approach to determining Identified Staff

The Policy sets out in detail how the Identified Staff list is compiled so as to include senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on MIFL or of the Funds which it manages.

Accordingly, as of the date of the policy, MIFL has identified the following employees as falling within the meaning of the Identified Staff as defined in the ESMA Guidelines;

- (i) Managing Director;
- (ii) Members of the Board of Directors
- (iii) Chief Financial Officer;
- (iv) Senior Operations Manager;
- (v) Senior Product Manager;
- (vi) Senior Compliance and Risk Manager*;
- (vii) Senior Internal Auditor*;
- (viii) Risk Control Officer*;
- (ix) Compliance Officer

*Employees who have a contract of employment with Mediolanum Asset Management Ltd ("MAML"), the appointed Investment Manager, but who provide services to MIFL on a shared services basis.

In line with the ESMA principles of sound remuneration practices, the Identified Staff are required to undertake not to use personal hedging strategies or remuneration and liability-related insurance to undermine risk alignment effects embedded in their remuneration arrangements. Any payments in connection with the early termination of a contract will reflect the performance achieved by the employee concerned and will not reward failure.

Other employees aside from the above Identified Staff are also eligible for variable remuneration. The policy applies to all staff.

Variable Remuneration of Employees in control functions

MIFL ensures that employees in control functions receive competitive fixed remuneration, therefore avoiding a potential conflict of interest. This structure ensures that the relevant employees in the control function operate independently and objectively. MIFL believes that the limited variable Remuneration potential in place ensures that the employees in these roles continue to operate with independence and are not exposed to conflicts of interest. For this reason the bonus consists of the achievement of non-financial and individual objectives relating directly to the delivery of their role in the control function. The decision in relation to variable remuneration for the senior managers in the control functions is overseen directly by the Board of Directors. The performance of the senior manager in the controls functions will not be linked to the performance of MIFL.

Application of Principle of Proportionality

MIFL must comply with the UCITS remuneration principles in a way and to the extent that is appropriate to its size and the size of the UCITS it manages, its internal organisation and the nature scope and complexity of its activities. Accordingly, the UCITS V Directive permits management companies to determine whether they will meet the remuneration requirements through very sophisticated policies whereas others can do so in a simple and less burdensome way. The application of the proportionality principle may lead to the disapplication of some remuneration principles for Identified Staff if that is reconcilable with the risk profile, appetite and risk strategy of the company and the UCITS it manages. As per the ESMA Guidelines, proportionality should also operate within a management company for some of the specific requirements. The categories of staff whose professional activities have a material impact on their risk profile should comply with specific requirements which aim to manage the risks their activities entail. The same criteria of size, internal organisation and the nature, scope and complexity of the activities should apply.

In addition, the following non-exhaustive elements should be taken into account, where relevant:

- The size of the obligations into which a risk taker may enter on behalf of the management company;
- The size of the group of persons, who have only collectively a material impact on the risk profile of the management company;
- The structure of the remuneration of the staff members (e.g. fixed salary with a variable remuneration vs. profit sharing arrangements), in particular, the following elements:
 - The amount of variable remuneration;
 - The percentage of variable remuneration over the fixed remuneration.

The Policy sets out MIFL's assessment against the above elements. In this regard, MIFL will dis-apply the Pay Out Process Rules (variable remuneration in Instruments, Retention, Deferral and Ex Post incorporation of risk for variable remuneration) if an employee's variable remuneration is no more than €75,000 (in line with Group Policy) and/or 33% of the total remuneration and if the total remuneration is no more than €500,000.

Remuneration Committee

The Appointments and Remuneration Committee established at the parent company Banca Mediolanum S.p.A. (consisting of three Independent Directors) generally meets four times per annum. The parent company has drawn up the Group Remuneration Policies with a view to provide the necessary guidelines for their implementation and ensure its proper application across the Group. MIFL has considered the requirement that management companies that are significant in terms of their size or the size of the funds they manage, their internal organisation and the nature, scope and complexity of their activities must establish a remuneration committee. In this regard, the Policy sets out the assessment conducted whereby the size, internal organisation, nature, scope and complexity of its products were all taken into account and it was decided to exercise the principle of proportionality and not to establish a separate Remuneration Committee at MIFL. Ultimately, the Board is responsible for approving and maintaining the Remuneration Policy and overseeing its implementation. The Board must ensure that the Policy is consistent with and promotes sound and effective risk management and does not encourage excessive risk taking.

Conflicts of interest

The Policy is designed to avoid conflicts of interest between MIFL, its Funds and the investors. MIFL has put in place measures to ensure that the variable remuneration awarded does not impair its duty to act in the best interest of the clients

Escalation

Action may be required if remuneration levels are not adhered to and material issues will be escalated to the Board for determination.

Guaranteed remuneration

Guaranteed variable remuneration is exceptional and would in any case be limited to the first year of service, in the context of hiring new staff.

Delegation

When delegating portfolio management and / or risk management activities (or any part thereof) MIFL will use its best efforts to ensure that:

- a) the entities to which portfolio management or risk management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines; or
- b) appropriate contractual arrangements are put in place with entities to which portfolio management or risk management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines; these contractual arrangements should cover any payments made to the delegates' identified staff as compensation for the performance of portfolio or risk management activities on behalf of the Company.

For the avoidance of doubt, where MIFL delegates portfolio management and / or risk management activities to another subsidiary of the Mediolanum Group, since such entity is subject to the Mediolanum Group Remuneration Policy, they are deemed to be subject to remuneration requirements that are equally effective as those applicable under the ESMA Guidelines.

Further information

Further information can be found in the Prospectus of each Fund available on www.mifl.ie and a paper copy of the Policy will be made available free of charge upon request.