

## **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 and Mediolanum Best Brands (the “UCITS Funds”). In December 2018, the firm received from the Central Bank an extension to its authorisation under the UCITS Regulations to carry out the following activities (i) the management of portfolio of investments as non-core services (ii) the management of collective investment undertakings (iii) provision of investment advice (iv) safekeeping and administration. 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 Remuneration Policy (“hereinafter 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 both MIFL’s clients and funds under management.

Approval: the Policy has been approved by the Board of Directors (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 policies 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;
- Employees are offered a competitive remuneration package;
- 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 does not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the products it manages; and
- are consistent with MIFL’s business strategy, objectives, values and interests of the company, and the products it manages and of the investors/policyholders in such products, 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 definition of “Identified staff/relevant person”;

- (i) PCF 8- Chief Executive Officer
- (ii) PCF 29 Head of Trading;
- (iii) PCF 1, PCF 2 and PCF 3 Members of the Board of Directors;
- (iv) PCF 11 Chief Financial Officer;
- (v) PCF 31 – Head of Investments;
- (vi) PCF 12 – Head of Compliance;
- (vii) PCF 13 - Senior Internal Auditor;
- (viii) PCF 14 - Risk Control Officer;
- (ix) Members of the Investment Committee if not listed above;
- (x) Direct reports to the Chief Executive Officer.

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 upon meeting certain conditions.

### **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. The performance of Employees in control functions is not linked directly to the performance of MIFL but reference is to the profit and loss results of the Mediolanum Group (and not to the local results of the Mediolanum Irish Entities). The decision in relation to variable remuneration for the senior managers in the control functions is overseen directly by the Board of Directors. There are limits in place for variable remuneration which is dependent on the category and role of the function.

### **Deferral of remuneration**

MIFL operates a deferral mechanism to variable pay and where Variable Remuneration exceeds the **Incentive Threshold** it is reviewed and approved by the Board of Directors on an annual basis. Where this threshold is exceeded, the bonus of the relevant individual participant is subject to the deferred pay-out process which are subject to the clawback and malus provisions set out in the policy.

### **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. 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.

## **Remuneration Committee**

The Remuneration Committee established at the parent company Banca Mediolanum S.p.A. is composed of two Independent Directors. 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 adopted the Group Remuneration Policy and has ensured it is appropriately implemented locally, having regard to the principle of proportionality.

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 and where a conflict does arise measures will be taken to mitigate it.

## **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.

## **Further information**

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