

Summary of the Remuneration and Incentive Policy

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1. Introduction

This document describes the Remuneration and Incentive Policy (hereinafter, the "Policy") approved by the Board of Directors of Kairos Partners SGR S.p.A. (hereinafter also "Kairos" or the "Company"), prepared in compliance with the sector regulations applicable to the Company and in particular, the European Directives AIFM (Alternative Investments Fund Manager 2011/61 / EU) and UCITS V (2014/91 / EU), as well as in compliance with the provisions of the Bank of Italy Regulation of 5 December 2019 (hereinafter, the "Regulation") and Regulation (EU) 2019/2088 (so-called SFDR - "Sustainable Finance Disclosure Regulation") which introduces new constraints for the assessment and management of sustainability risks. The Policy will be submitted for approval by the Shareholders' Meeting at the earliest opportunity. According to the provisions of the Regulation, "the managers adopt remuneration and incentive policies and practices that reflect and promote a sound and efficient management of risks and that do not encourage an assumption of risks that are inconsistent with the risk profiles, the regulations, the bylaws and other constitutional documents of the UCITS and AIFs managed. The remuneration and incentive policy is also consistent with the economic results and with the equity and financial situation of the manager and of the UCITS and AIFs managed. "

The discipline of the Regulation (Part 4, Title III and Annex II) applies to all staff of the Asset Management Companies, even when involved in the provision of investment services and activities.

The SGR adopts specific ESG objectives consistent with its business model and integrated into its corporate strategy by promoting sound and effective risk management in the context of sustainability risks, through a remuneration system that does not encourage excessive hiring of risks in relation to ESG risks.

In the case of the Company, the investment services and activities carried out are identified in the following services: the management of portfolios referred to in Article 1 paragraph 5 letter d), investment advice pursuant to art. 1 paragraph 5 f), the reception and transmission of orders on behalf of the customers referred to in art. 1 paragraph 5 e)) of Legislative Decree no. 58/1998 (the "Consolidated Finance Act").

2. Governance

The Board of Directors ensures that the remuneration and incentive systems are consistent with the Company's overall choices in terms of risk assumption, strategies, long-term objectives, corporate governance structures and internal controls. The Board also ensures that the Policy is adequately documented and accessible within the company structure.

The Board of Directors submits the Policy, as well as any amendments, to the ordinary Shareholders' Meeting of the Company for its approval with the majorities provided for by the Articles of Association in force from time to time.

The Shareholders' Meeting, in addition to establishing the remuneration due to the bodies appointed by it, approves the remuneration policies in favor of the bodies with supervisory, management and control functions and of the personnel; plans based on financial instruments (stock options); the criteria for determining the remuneration to be paid in view of or upon the early termination of the employment relationship or for early termination of office (golden parachute), including the limits set on said remuneration in terms of annual fixed remuneration and maximum amount resulting from their application.

The Remuneration Committee holds advisory and propositional functions towards the Board of Directors on the subject of remuneration of the so-called most relevant personnel. The Remuneration Committee has the necessary skills and independence of judgment in order to formulate assessments on the adequacy of variable remuneration policies and plans and their implications on the assumption and management of risks. In particular, the Remuneration Committee performs the following tasks and functions, among others:

- has consultative duties on the criteria for the remuneration of most relevant personnel;
- prepares the documentation to be submitted to the Board of Directors for the relative decisions;

- ensures the involvement of the competent corporate functions in the process of drafting and checking the Policy;
- formulates proposals on the remuneration of personnel whose remuneration and incentive systems are decided by the Board of Directors, in accordance with the provisions of the Regulations;
- expresses itself, also making use of the information received from the competent corporate functions, on the achievement of the performance objectives to which the incentive plans are linked and on the ascertainment of the other conditions set for the payment of remuneration;
- directly supervises the correct application of the rules relating to the remuneration of the heads of the internal control functions, in close collaboration with the Board of Statutory Auditors;
- pays particular attention to the assessment of the mechanisms adopted to ensure that the remuneration and incentive system takes into account all types of liquidity risks and the assets managed and is compatible with the corporate strategy, objectives, values and interests of the Company and the funds it manages and the investors.

The corporate functions responsible for risk management, compliance, human resources and strategic planning are adequately involved in the policy definition process.

The corporate control functions collaborate, each according to their respective competences, to ensure the adequacy and compliance with current legislation. The risk management function assesses, among other things, how the variable remuneration structure affects the Company's risk profile, possibly evaluating and validating the data relating to the adjustment for risks. The compliance function verifies, among other things, that the company reward system is consistent with the objectives of compliance with the rules, the statute and any applicable codes of ethics or other standards of conduct, so that the legal and reputational risks inherent above all in relations with customers. The risk management function and the compliance function actively participate in the relevant meetings of the Remuneration Committee, in order to allow the Policy to take due account of the Company's risk profiles and to be consistent with the compliance with the rules, the statute as well as any ethical codes or other applicable standards of conduct. The legal function actively participates in the drafting and annual review of the Policy. The Internal Audit function verifies the compliance of the remuneration practices with the approved policies and with the regulations in force from time to time. The evidence found and any anomalies are brought to the attention of the competent bodies and functions for the adoption of any corrective measures and any information to the Supervisory Authorities.

The Company defines and reviews the Policy on at least an annual basis.

3. Most relevant personnel

According to the Regulations, each management company carries out an accurate assessment to identify the most relevant personnel, or the categories of persons whose professional activity has or may have a significant impact on the risk profile of the company or of the managed funds.

According to the regulatory criteria, the Company conducted an internal assessment to assess which roles should be considered as most relevant personnel on the individual positions, considering the responsibilities, the hierarchical level, the activities performed and the powers assigned.

The Company's most relevant personnel includes:

- (i) the members of the Board of Directors,
- (ii) Senior Management,
- (iii) The portfolio managers and co-portfolio managers
- (iv) the heads of the Control Functions.

In addition, in a prudential logic, the Company has decided to apply safeguards and criteria typical of the most relevant personnel also towards certain subjects who do not fall into this category (the so-called "Staff similar to the most relevant personnel").

Finally, if his activity has or may have a significant impact on the risk profile of the Company or the UCITS managed, any person whose total remuneration falls within the same salary range as the persons referred to in points (ii) and (iii) indicated above is included in the category of the most relevant personnel.

4. Remuneration Structure

The company remuneration system is in line with the long-term values, strategies and objectives, connected with the company results, appropriately adjusted to take into account the risks, consistent with the levels of capital and liquidity necessary to face the activity undertaken and such as to avoid distorted incentives that could lead to regulatory violations or excessive risk-taking for the intermediary and the financial system as a whole.

Fixed Portion

The remuneration¹ of personnel may include, in addition to a fixed portion - or in the case of subjects whose remuneration is entirely variable, the recurring component - (the "Fixed Portion") equal to the gross annual remuneration (RAL) of each resource, established on based on the applicable national collective agreements or on the contracts stipulated between the resource and the Company, a variable portion - or in the case of subjects whose remuneration is entirely variable, the non-recurring component - (the "Variable Portion").

The Fixed Portion includes some assets in kind (fringe benefits) recognized to all staff.

Where a Variable Portion is envisaged, the Fixed Portion is sufficiently high to allow, if necessary, significant contractions of the Variable Portion and, possibly, also its zeroing.

Variable Portion

The Variable Portion of the most relevant personnel is generally determined, on an annual basis, at the end of each exercise, on the basis of:

- performance indicators (quantitative), relating to the specific content of the activity carried out, and is measured net of the risks associated with the activity carried out; is
- qualitative indicators which, in general, enhance the availability of resources at work, act in the best interest of customers and in compliance with the applicable laws and regulations as well as the managerial skills of the professional figures considered.

The payment of the Variable Fee to the staff is preceded by the quantification of the total amount available (so-called general bonus pool), determined at the end of the reference period.

For the purposes of calculating the overall bonus pool available, the capitalization needs of the Company will also be taken into account in light of the provisions on prudential supervision as well as compliance with the provisions in this regard contained in the budget for the current year at the time of payment of the Variable Portion and the multi-year business plan. Requirements for capital strengthening lead to a contraction of the overall bonus pool and / or to the application of the malus and claw back systems envisaged.

¹ It is specified that "remuneration" means any form of payment or benefit paid to personnel, directly or indirectly, in cash, financial instruments or goods in kind (fringe benefits), including units or shares of managed funds, in exchange for work performance or professional services rendered. Payments or marginal benefits are excluded, granted to staff on a non-discretionary basis, which are part of a general policy of the Company and which do not produce any effect on the incentive plan for taking on or controlling risks.

The main quantitative and qualitative criteria considered for the purposes of determining the Variable Portion of the categories of identified personnel indicated above are shown below.

Most relevant personnel	Main quantitative criteria	Main qualitative criteria
Executive Directors	<ul style="list-style-type: none"> • Economic results • Profitability • Marginality 	<ul style="list-style-type: none"> • Reliability and accountability • Organizational and management skills • Dissemination of control culture • Compliance with rules
Senior Management	<ul style="list-style-type: none"> • Economic results • Profitability • Marginality • Contribution to the achievement of the company's positive results 	<ul style="list-style-type: none"> • Act in the interest of the customer • Reliability and accountability • Resource motivation skills • Dissemination of control culture • Compliance with rules • Presence of litigation • Reports by the control functions regarding the work of the resource
Portfolio Managers and Co-Portfolio Managers	<ul style="list-style-type: none"> • Economic results generated by the products managed 	<ul style="list-style-type: none"> • Dissemination of the culture of control in the team • Reliability and accountability • Dissemination of the culture of control • Presence of litigation • Reports by the control functions regarding the work of the resource
Control Functions	The objectives of the personnel of the control functions are independent of the results of the business	<ul style="list-style-type: none"> • Reliability and accountability • Knowledge of business risks and their control • Adequacy of monitoring and control plans • Controls adopted and internal procedures functions

The ratio between the Fixed Portion and the Variable Portion must be appropriately balanced and promptly determined, also in relation to the reference market for the specific professional figure. It is possible to recognize a guaranteed variable remuneration limited to new staff and the first year of employment, exceptionally and in compliance with the prudential requirements provided for by the applicable legislation, where the figure has professional characteristics - deriving from the experience gained - such as to justify the aforementioned remuneration. The same contributes to the calculation of the variable-fixed ratio of remuneration.

For the most relevant personnel:

- the Variable Portion is subject, for a portion equal to 40%, to deferred payment systems for a period of three years, to be paid on an annual basis on a pro-quota basis. The remaining 60% of the Variable Portion is subject to an up-front payment system. The start of the deferral period coincides with the disbursement of the up-front part. If the Variable Portion represents a significant amount, the percentage to be deferred will be 60%;
- a portion of the Variable Portion equal to 50% is made up of units or shares of the UCITS managed. The provision applies to both the deferred and non-deferred part of the Variable Portion. The valuation of the financial instruments is carried out with reference to the moment in which the remuneration is recognized to the staff. The financial instruments are subject to a retention policy, with a prohibition to sell until the end of the same (retention).

The determination of the quotas or shares of the UCITS managed to be attributed to the various categories of personnel is carried out by the Board of Directors.

The above rules will not apply to personnel - even the most relevant personnel - who perceive an insignificant Variable Portion.

Correction mechanisms

The incentive system must not induce excessive risk behaviors for the Company and for the managed funds and, in this regard, the individual performances are subject to an adequate evaluation before the payment of the variable remuneration, and subject to ex post correction mechanisms (malus and claw back).

Without prejudice to what is expressly provided for the individual person belonging to the category of the most relevant personnel, part or the entire Variable Portion of personnel remuneration may be withheld - or requested to be returned - by the Company upon the occurrence of the following events:

- (i) initiation of a dispute where the Company, or the UCITS concerned, is a defendant party for facts or omissions, which, following an internal investigation conducted by the competent corporate functions, appear attributable to the resource concerned;
- (ii) any reports made to the Board of Directors or the Board of Statutory Auditors by the control functions with a negative or partially negative opinion;
- (iii) behaviors (ascertained) which resulted in a significant loss for the Company or for the UCITS managed;
- (iv) fraudulent behavior or gross negligence to the detriment of the Company;
- (v) any negative performance (with respect to the reference market and the competition) by the UCITS managed, not generated by factors external to the Company and due to the conduct of the Company's personnel that affected the risk profile of the UCITS managed and, in any case, which is such as to have a significant lasting negative impact on the financial and equity situation of the Company.

The claw back or malus may only relate to the Variable Portion of the year in which the conduct referred to in points (iii) and (iv) or the conduct underlying the dispute or report referred to in points (i) and (ii). The claw back can be exercised for a maximum period of five years from the year to which the Variable Portion paid refers.

In addition, the Variable Portion (deferred and still to be paid) is subject to malus mechanisms - and can therefore be withheld - if this is necessary for the Company to comply with the provisions on prudential supervision.

Lastly, the SGR reserves the right, in consideration of the specificities of each individual case and where permitted by the agreements in place, not to proceed with the payment of the deferred component of the Variable Portion in the event of termination of the relationship as a result of resignation or dismissal for just cause.

KAIROS
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