

sosteneo

Infrastructure Partners

REMUNERATION POLICY SUMMARY 2023

Sosteneo SGR S.p.A.



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1. THE PRINCIPLES OF THE REMUNERATION POLICY

This remuneration policy is aimed at implementing the provisions on remuneration contained in the Italian and EU legislation applicable to the Company whilst taking account of our business and market considerations. The principles relating to remuneration policies are detailed at EU level, in Annex II of Directive 2011/61/EU, the so-called AIFM Directive, and at the Italian level, in the Bank of Italy Regulation, effective in relation to the remuneration policy and systems approved after 1 January 2023.

The described regulation on remuneration and incentive policies and practices also:

- takes into account the guidelines developed at European level, including the ESMA guidelines no. 2013/232 of 3 July 2013 and n.2016/411 of 31 March 2016 on sound remuneration policies respectively pursuant to the AIFM Directive; and
- adopts the provisions on the integration of sustainability risks pursuant to the EU Regulation 2019/2088 of 27 November 2019 relating to disclosures on sustainability in the financial services sector (Sustainable Finance Disclosures Regulation - SFDR), requiring (art 5 SFDR) that remuneration policies and systems include information on how such policies are consistent with the integration of sustainability risks and that this information is published on the website.

The Regulation has integrated the principle of gender neutrality in remuneration policies, including the gender-neutral provisions regulated within including the EBA guidelines, which provide that remuneration policies are gender neutral and contribute to pursuing full gender equality.

This remuneration policy, defined in line with the guidelines and internal policies of the Group (*Group Remuneration Internal Policy*) and adequately calibrated with respect to the characteristics and specificities of regulations and sector practices, is based on the following principles which guide the remuneration programs and the consequent actions:

Drive alignment between the interests of investors, shareholders and Sosteneo executives and team members	Provide for fair and consistent remuneration relative to the role assigned, including a specific focus on gender equity	Be competitive with respect to market practice
Promote merit, long-term performance and retention of employees who are performing well	Be appropriate to Sosteneo's stage in its development as a start-up company, whilst ensuring that our practices support our ambitions	Ensure compliance and governance is in line with the relevant regulatory framework

The adoption of these principles makes it possible to design and manage remuneration systems as a key element in attracting, developing and retaining people, especially those with critical and/or high-potential skills, and in aligning their performance with company results and building the foundations for predictable and sustainable results over time.

2. THE PRINCIPAL OF PROPORTIONALITY

Article 43 of the Regulation, at the time of drafting this remuneration policy, states that "Managers develop and implement remuneration and incentive policies and practices consistent with their own characteristics, their own size and that of the managed AIFs, the internal organisation, the nature, scope and complexity of their activities. The managers apply, in accordance with paragraph 1 [of the same article], the provisions on remuneration and incentive policies to the various categories of personnel, as indicated in Annex 2 [of the Regulation].

In order to assess the possible application of the principle of proportionality, the Company has conducted a self-assessment process aimed at examining its characteristics and developing and implementing remuneration policies and practices in line with the risk profile, also in light of the capital threshold of five billion Euro net assets managed (above which the managers are always considered as significant) governed by the Regulation.

The self-assessment process - considering the size, internal organisation, nature, scope and complexity of the activities carried out - identified Sosteneo as low-medium complexity pursuant to the applicable legislation and with reference to similar companies of comparable size, as outlined below:

- Considering the target Assets Under Management for 2023 is less than 1 billion Euro, (based on business plan as at February 2023) and the internal organisation, **Sosteneo's business complexity may be considered low, allowing it to disapply the requirement** to defer 40%-60% of the short-term incentive assigned for 3-5 years as well as the requirement for 50% of such deferrals to be in the form of financial instruments. In any case Sosteneo will apply a deferral of 20% for 1 year for Identified Persons, should the awarded variable remuneration be higher than a set threshold.
- Given the **medium complexity in the type of activity Sosteneo carries out, a Remuneration Committee has been set up** to ensure the proper supervision of remuneration practices.

3. IDENTIFIED PERSONS

In line with the principles identified by the ESMA Guidelines and the Regulation, the Company conducted an assessment process aimed at identifying the "Identified Persons" for the year 2023, i.e., the categories of persons whose professional activity has or may have a material impact on the risk profile of the Company or of the managed funds.

The process took into consideration qualitative and quantitative criteria including:

- the responsibilities assigned to the roles, the hierarchical levels, the activities performed, the operational powers;
- the level of impact on the risk profile of the Company or the Funds managed;
- the role of the Investment Committee as the key investment and divestment decision-maker and recommender; and
- the remuneration structure.

In particular, in line with the criteria defined by the Regulation, the Identified Persons consists of:

- i. Executives and non-executive members of the Board of Directors;
- ii. Senior Management and heads of the main functions reporting directly to the Chief Executive Officer;
- iii. Heads of control functions;
- iv. Persons responsible for heading the investment management, administration, marketing, human resources
- v. Persons who, individually or collectively, may assume significant risks for the Company or the managed funds
- vi. Persons whose total remuneration falls within the same salary range set out for category ii, iv and v above.

Given Sosteneo's status as a startup, additional roles will be reassessed in Q1 2024.

During the year, in the event of changes in ownership of the roles identified or in the event of changes in organisational responsibilities and/or the delegation system with an impact on the personnel categories highlighted or on the risk profile of the managed funds and of the Company, the Company will update the identification process and, if the new roles or owners could have a significant impact on the risk profile of the Company or of the funds, will submit to the Board of Directors and the Remuneration Committee the update of the Identified Persons for approval.

4. THE REMUNERATION STRUCTURE OF THE COMPANY

The Company's remuneration policy is aimed at attracting, retaining and motivating team members, whilst safeguarding against inappropriate risk-taking. It is consistent with the principles outlined at the beginning of this document via:

- Structuring a prudent balance between the short-term incentive and the fixed components;
- Creating a strong connection of remuneration with individual and Company performance;
- Underpinning a performance evaluation system consistent with the defined risk profile.

"Remuneration" is considered any form of payment or benefit paid by the Company to its personnel, directly or indirectly, in monetary form, financial instruments or goods in kind (fringe benefit), in exchange for work performance or professional services rendered.

The Company's remuneration structure relating to the Identified Staff category, with different remuneration packages and Fixed-variable pay mixes depending on market and internal practices, is comprised of up to four components – a fixed component, a short-term incentive component, and a cash long-term incentive with all employees being recipients of a range of non-cash benefits.

The *fixed salary component* remunerates the team member for the role held and the accountabilities assigned, as well as taking into account the experience, skills and performance of the incumbent, in the context of the market rate for similar roles and internal considerations.

The *short-term incentive* component aims to align the performance of team members with Sosteneo's objectives - by linking Company and individual business objectives both quantitative and qualitative in nature - and to the creation of value over the medium-long term in line with the risk profile defined for the Company.

- At the beginning of the performance period, the Company defines a Sosteneo-level balanced scorecard, aligned to the Company's business plan and inclusive of targets. The most significant KPIs include the financial performance of the company, client metrics, fund deployment and performance, completion of establishment activities, risk and compliance, and selected team and ESG metrics. This scorecard is then rolled out across the team members to ensure alignment of objectives.
- Short-term incentives are determined at the end of the performance year once the financial position of the Company has been finalised for the year. The payment of the short-term incentive component, for all team members with the exception of control functions, is subject to exceeding two result thresholds (a cash gate and a capital gate), both at Sosteneo level.
- If the gates are passed, the Company will determine the STI pool size available for distribution (excluding the Control Functions), by assessing the Company level performance against its balanced scorecard metrics vs the targets set.
- The pool is then distributed based on factors including an individual's target short-term incentive and their individual performance.
- For Identified Persons, the payment of the STI component is subject to deferral mechanisms, so that the remuneration takes into account performance over time.
- All short-term incentive plans include malus and clawback mechanisms. The payment of any deferred amount will be subject to takes into consideration performance over time, an individual compliance assessment, covering the integrity of the behaviors (in line with the provisions of the Sosteneo Values and the Code of Conduct), compliance with the internal and external regulations applicable to the specific scope of activity, the level of completion of mandatory

training and the level of resolution of remediation actions defined as part of audit and compliance activities. It is important to note that no incentive payment will be made in the event of willful or grossly negligent conduct.

- Employees are prohibited from using personal hedging strategies or compensation and liability insurance that are intended to undermine the risk alignment effects inherent in their remuneration arrangements.
- In exceptional circumstances, the Company may offer variable remuneration in the form of a sign-on bonus to a new starter, retention bonus or special awards. These incentives are tightly controlled under the terms of the Company's Remuneration Policy.

For selected team members of the control functions categorised as an Identified Person, an additional *cash Long Term Incentive* (Cash LTI) component may be included.

Benefits may be offered based on the provisions contained in the national, corporate and individual agreements, in the different geographies and in some cases the category of team members, on a "total remuneration basis", noting that they can represent a substantial component of the remuneration package over and above any monetary payment.

The Company may adopt *other incentive schemes* integrated into the performance of the funds, such as performance fees or carried interest.

Remuneration and sustainability

With ESG performance at the core of our purpose and business model, we envisage ESG factors to be an integral part of our post-establishment remuneration policy and practices.

Sosteneo funds will operate under art.8 of EU Regulation 2019/2088 of 27 November 2019 (Sustainable Finance Disclosures Regulation – SFDR) and sustainable funds performances are at the core of the incentive proposition.

Given our purpose and business strategy are in line with the regulatory provisions, Sosteneo will define its ESG Strategy aiming, among other things, to embed sustainability factors, at the Company and Fund level. In this context, our first steps in integrating ESG measures into incentive practices, involves the hiring of an appropriate ESG resource for the Company, with part of their accountabilities being to define Sosteneo's ESG strategy and to propose appropriate ESG risk measures within the investment process and within the incentive plans.

Focusing on social and governance factors, Sosteneo since the very beginning is committed to a value proposition embedding Diversity, Equity and Inclusion and fairness as a foundation driver of our business. This has included embedding measures to mitigate the risk of biases into the organisation design and recruitment processes and ensuring that the remuneration philosophy includes equity and fairness as key pillar.

Gender neutrality of the remuneration policy

In implementing the provisions of the Regulation, the Company adopts neutral policies with respect to the gender of our team members.

As a startup company, we aim to avoid structural gender pay differences that can be commonplace in many other businesses. Consistent with this aim and in line with the Regulations and international best practices, the Company undertakes to promote equal pay between women and men, by putting in place targeted controls aimed at monitoring gender balance, the Gender Pay Gap and fairness of remuneration for the same role at least annually and integrating decision-making processes with an

impact on pay levels (hiring, salary review, promotion) with specific market benchmarks, based on comparable roles and responsibilities, in order to avoid gender bias.

In general terms, the remuneration policy ensures that, for the same activity performed, team members have an equivalent level of remuneration including terms of conditions.

The Board of Directors, with the support of the Remuneration Committee analyses the neutrality of the Remuneration Policy with respect to gender and verifies any gender pay gap *and* its evolution over time.

In the unlikely event of significant gaps, the Company will identify the relevant reasoning and put in place the most appropriate actions to ensure that the Remuneration Policy is gender neutral.

5. THE REMUNERATION POLICY RELATING TO IDENTIFIED PERSONS

The remuneration of the other Identified Persons is made up of a fixed remuneration component and a short-term incentive (STI) component.

The STI component is linked to the degree of achievement of the performance objectives, as well as the passing of the thresholds outlined above (excepting the Control Functions whose incentive payments are independent of any economic-financial performance indicator). The objectives may include a balanced scorecard approach covering financial, stakeholder, sustainability and risk and compliance targets, along with project-based targets for 2023 reflecting the start-up nature of the business.

Consistent with the regulatory provisions and the application of the proportionality principle to Sosteneo in 2023, it is structured as a cash payment.

In order for the remuneration to take account of the trend over time of the risks assumed, any amount over a pre-determined threshold is subject to deferral with 20% of the variable remuneration deferred for a period of 1 year following the performance period, while the remaining 80% is paid at the end of the performance period.

This payment of this component is linked to the successful opening of the gate mechanisms and to the ex-post malus and clawback mechanisms.

In the event that this component is less than or equal to the pre-determined threshold, the annual short-term incentive is paid entirely up-front and in cash.

For selected team members of the control functions who are also Identified Persons, an additional cash Long Term Incentive (Cash LTI) component may be included.

6. THE REMUNERATION POLICY RELATING TO THE NON-EXECUTIVE DIRECTORS

The remuneration of the independent directors is made up exclusively of a fixed component, together with an attendance fee for each meeting of the Board of Directors and the reimbursement of expenses incurred for carrying out the role; they are therefore not beneficiaries of any type of variable remuneration.

Independent Directors who are also members of Board Committees are paid additional emoluments to what they already received as members of the Board of Directors, based on the responsibilities attributed to them on the Committees and the commitment required for participation in the work of the latter in terms of the number of meetings and preparatory activities for the same.

Non-executive Directors are beneficiaries of the Company's Directors' and Officers' Insurances Policy.

7. THE REMUNERATION POLICY RELATING TO INDEPENDENT MEMBERS OF THE INVESTMENT COMMITTEE

A similar approach is taken to the remuneration for the independent members of the Investment Committee as to the independent directors, with their appointments being confirmed by the Board as per the Investment Committee Charter and their remuneration made up exclusively of a fixed component and the reimbursement of expenses incurred for carrying out the role; they are therefore not beneficiaries of any type of variable remuneration.

8. THE REMUNERATION POLICY RELATING TO INVESTMENT MANAGEMENT TEAM MEMBERS

The remuneration of the Investment Management Team Members consists of a fixed annual salary and a short-term incentive (STI).

The STI component aims to anchor the incentive to the performance of the individual recipients, of the managed funds and of the Company.

The Investment Managers' scorecards include performance indicators related to the managed funds. To this end, specific KPIs are defined to ensure alignment with the expected performance of the funds and with the interests of the clients. The overall performance balances quantitative and qualitative objectives, in order to ensure the achievement of results in a sustainable way.

9. THE REMUNERATION POLICY RELATING TO THE BOARD OF STATUTORY AUDITORS

The policy for these individuals provides for the payment of a fixed annual fee for the entire duration of the mandate; there are no variable components of the remuneration.

The members of the Body are also entitled to reimbursement of expenses incurred in the exercise of their functions.

10. PAYMENTS IN THE EVENT OF TERMINATION OF EMPLOYMENT

All team members, regardless of the type of contract, are subject to the limit defined and the statutory entitlements.

11. GOVERNANCE AND COMPLIANCE

In all countries in which the Company operates, the implementation of the remuneration policy must take place in full compliance with the laws and regulations applicable to the country.

Furthermore, in the event of delegation of portfolio or risk management, the Company verifies that the delegated subjects are subject to a regulation equivalent to that applicable to it in terms of remuneration policies, including the integration of ESG factors and the commitment to gender neutrality of the remuneration policy, and that the contracts for the conferment of the related tasks do not contain clauses such as to allow circumvention of the legislation.

The Company has opted for a traditional corporate governance system based on certain key principles, such as the central role attributed to the Board of Directors and the efficiency of its internal control system.

The following corporate bodies collaborate in order to guarantee the correct functioning of the Corporate Governance system and the compliance of the policies with the regulations, each according to its own responsibilities.

- The *Shareholders' Meeting* is the corporate body that expresses the will of the shareholders with its resolutions. The Shareholders Meeting has accountability for the approval of the remuneration and incentive policies. In addition, the Shareholders' Meeting approves the plans based on criteria and maximum limits, also in terms of years of fixed remuneration, for compensation due in case of early termination or early termination of office. At least once a year, the Shareholders' Meeting is presented with clear and complete information on the ways in which the remuneration and incentive policies and practices have been adopted have been implemented (so-called ex post information).
- The *Board of Directors* defines the remuneration and incentive systems for the Identified Persons and ensures that these systems are consistent with the Company's overall choices in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls.
- In the event of significant market discontinuity (for example the occurrence of material changes in macroeconomic conditions or a worsening of the financial context), the Board of Directors, as part of the governance processes on remuneration, may reassess the fairness and overall applicability of the incentive systems, and put in place the appropriate and/or necessary adjustments – as they apply to both upfront payments and deferrals to protect the capitalization and liquidity of the Company.
- The *Remuneration Committee* is a Board Committee, composed of members appointed among members of the Company's Board of Directors. The Remuneration Committee has investigative, advisory, and propositional tasks for the Board of Directors.
- The *Board of Statutory Auditors* is the body responsible for supervising observance of the law and the Articles of Association as well as management control.

The following internal functions assist the activities carried out by the corporate bodies, according to their competences:

- the Risk Management function participates in the assessment process and in the definition of the Identified Staff, assesses that the remuneration policy is consistent with the Company's risk profile and contributes to the definition of the risk indicators used, also ex post, related to performance levels;

- the Compliance function - verifies, among other things, that the remuneration policies are consistent with the objectives of compliance with the rules, with the Articles of Association, as well as with self-regulation, so that the legal and reputational risks inherent above all in customer relations are suitably contained. The function reports at least annually to the relevant bodies on the results of the checks carried out, also indicating any corrective measures;
- the Audit function – outsourced, with a specific outsourcing contract, to the Parent Company, Assicurazioni Generali SpA – verifies, among other things, at least once a year, the compliance of the remuneration practices with the approved policies and regulations. Also in this case, the function reports to the competent bodies on the results of the checks carried out, also indicating any corrective measures.
- The People and Culture function, in concert with the relevant Generali Human Resources and Remuneration functions and the Board’s Remuneration Consultants, guarantees the support and know-how necessary for defining the remuneration policies.
- Other corporate functions (e.g., Finance), are involved in the definition phase of the quantitative and/or qualitative indicators used to evaluate performance and linked to the payment of the short-term incentive component as well as for the determination of the overall expenditure budget as well as the final accounting of the performance indicator of the funds.