
Integration of sustainability risks in remuneration

FINECO ASSET MANAGEMENT DAC

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The Sustainable Finance Disclosure Regulation (SFDR) defines sustainability risk as *“an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”*.

This statement describes how our remuneration policies are consistent with the integration of sustainability risks, as per Article 5 of the SFDR. In Fineco AM, sustainability risks are not only integrated into our investment decisions, but also a natural part of our remuneration models to cater for commitment and engagement in sustainability among our employees.

Sustainability risk is integrated into our remuneration policies both in the design and long-term perspectives of the remuneration structure, but also in how we govern remuneration policies and decisions in a sustainable way.

As per the below extract from the “FINECO ASSET MANAGEMENT DAC REMUNERATION POLICY 2022”, Sustainability risk is considered in our variable remuneration pay schemes, Performance appraisal, Long Term Incentive plans, and finally, we believe that our solid governance structure is an important piece in building and maintaining a sustainable remuneration policy.

Sustainability of the variable remuneration

The assessment of performance and the deferral/holding periods of variable remuneration are set in a multi-year framework, appropriate to the holding period recommended to the investors of the UCITS managed by the Company. Performance is evaluated in terms of risk-adjusted profitability and analysed with risk-weighted systems and mechanisms. Fineco AM incentive systems shall not in any way induce excessive risk-taking behaviours.

Performance appraisal

The Company shall:

- Base performance evaluation upon profitability, financial strength and other drivers of sustainable business with particular reference to risk, cost of capital and efficiency such evaluations may include a focus on ESG risks, with information on the integration of sustainability risks into the investment decision making process published and kept up-to-date on the website of the Firm; individual performance appraisal cannot be based only on financial criteria, but should be also based on non-financial criteria, considering the specificity of the various roles;
- Consider initiatives that aim at improving and/or maintaining the Company's ESG goals and the ESG characteristics of the Managed Funds, defining the role of different actors involved and their respective contribution;
- Design flexible incentive systems such as to manage pay-out levels in consideration of Company's performance results and individual achievements, adopting a meritocratic approach to selective performance-based reward;
- Design incentive systems that set minimum performance thresholds below which zero bonus will be paid;
- Assess all incentive systems, programs and plans in order to avoid the risk that our Company reputation may be jeopardized.

Long-Term Investment Plans

Fineco AM employees are eligible to be included in FinecoBank's share based Long Term Incentive plans which take account of ESG factors when setting remuneration targets.

Governance

The Company's compensation governance model aims to assure the clarity and reliability of the governance processes related to remuneration by effectively controlling the Company's remuneration practices and ensuring that decisions are made in an independent, informed and timely manner at appropriate levels, avoiding conflicts of interest and guaran-

teeing appropriate disclosure in full respect of the general principles defined by regulators. The Board of Directors has overall responsibility for approving and overseeing the remuneration of the Chief Executive Officer and the overall variable compensation system. The monitoring and application of the remuneration principles enclosed in the Policy is performed by the relevant functions of the Company, typically including HR, Compliance and Risk.

The remuneration process is also selected periodically to an Annual Audit at Group level.

Fineco AM Board of Directors approves an updated version of the Policy on an yearly basis and reserves the right to modify the Remuneration Policy as and when required in compliance with the applicable regulations.



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Fineco Asset Management D.A.C. is part of the FinecoBank Group. Fineco Asset Management D.A.C. is regulated by the Central Bank of Ireland.