

GOVERNANCE OF REMUNERATION POLICIES: ROLES AND RESPONSIBILITIES

NIBC

DATE
1 January 2020

Annex G

Governance of Remuneration Policies: Roles and Responsibilities of NIBC HOLDING N.V. AND NIBC BANK N.V.

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1 General

1.1 Introduction

This document provides an overview of the governance and the risk mitigation measures regarding the remuneration policies and practices of NIBC Holding N.V. and NIBC Bank N.V. (jointly referred to as “NIBC” or the “Company”). These are implemented and guided by the relevant regulatory and legal frameworks and governance best practices that exist, most notably, but not limited to, the (i) Dutch Corporate Governance Code December 2016 (“the Code”) (ii) Future Oriented Banking (Social Charter, Banking Code 2014 and Rules of Conduct of December 2014, (iii) the DNB Principles for Controlled Remuneration Policies (Besluit en Regeling Beheerst Beloningsbeleid Wft 2014, July 2014) in conjunction with the EBA guidelines on sound remuneration Policies, January 2017,(iv) the Dutch Financial Undertakings (Remuneration Policy) Act (Wet beloningsbeleid financiële ondernemingen;(WBFO)) (v)delegated regulation (EU) NO 604/2014 and (vi) MIFIDII

Chapter 1 gives an outline of the governance model, risk framework and applicable policy regarding remuneration within NIBC.

Chapter 2 provides for an overview of the governance processes surrounding the annual performance management and remuneration processes, i.e. how these are risk aligned and how the involvement of the various Control Functions is arranged for. An accountabilities matrix is enclosed to provide for detailed insight with regard to the execution of these processes within NIBC.

Appendix A provides a more detailed overview of the so-called ex ante and ex post risk measures.

Appendix B provides a description of the Exception Procedure

1.2 Governance

Within the two-tier governance structure of the Company, the Managing Board (MB) bears prime responsibility and accountability for the management, control and execution of NIBC’s remuneration policies and practices, whilst the Supervisory Board remains ultimately accountable for the remuneration policy of Identified Staff. This implies that the Managing Board will put forward, for the approval of the Supervisory Board, in line with the requirements of governance regulations, remuneration proposals for Identified Staff.

The Supervisory Board (SB) may delegate some authorities to the Remuneration and Nominating Committee (RNC), as explicitly described in the charters. Any use by a committee of the delegated authority is communicated to the full SB in the next SB meeting.

The Control Functions in NIBC Bank N.V. HR, Risk, Finance, and Compliance will support both the Managing Board and the Supervisory Board in the management and execution of the Company’s remuneration policies, and practices, in line with the risk assignment to them. To this end the before mentioned Control Functions, represented in the Committee of Control Functions will assess on behalf of both the Managing Board and the Supervisory Board the related risk aspects on a regular basis, and, where required, provide input and advice for any amendments thereof as well as for any (disclosure) requirements stemming from the applicable governance regulations. The tasks and responsibilities of the Control Functions are defined in this document. NB The formal control functions for NIBC Bank Deutschland AG are delegated to the control functions in NIBC Bank N.V

The Control Function Audit provides a central, independent and objective review and assurance of any performance management and remuneration principle, policy, or practice in light of their intended workings, and the reporting of any deviation thereof. Such audits are undertaken at least annually. The Audit function will execute its audit responsibilities on behalf of the Supervisory Board, independently or upon request.

1.3 Risk and remuneration

NIBC operates a robust framework to identify and measure risk within NIBC and this is primarily managed by the Chief Risk Officer (CRO) and the Risk Management Committee. The framework is supervised by the Risk Policy Committee of the Supervisory Board. The risk stemming from the Company's remuneration policies and practices, and in particular variable compensation, touches on the risk tolerances as defined within NIBC and approved by the Managing Board. In order to effectively manage and mitigate the risks associated with remuneration an overall risk management and control framework within NIBC will be put in place to ensure that:

- The remuneration policies and procedures do not affect the financial soundness of the company, taking the defined acceptable level of risk and the impact on the required economic capital into account.
- NIBC's remuneration policies and practices do not result in incentivizing and / or rewarding excessive risk taking which could lead to the actions or lack of actions as defined in the risk tolerance statements, as well as unwanted behaviours relating to market conduct, reputational risks, etc.; and
- NIBC's remuneration policies and practices do not lead to reward for failure, amongst others by ensuring that any performance which is rewarded, is aligned with NIBC's strategy and business objectives, taking due account of the defined risk tolerances and conduct fitting for NIBC and prevent conflicts of interest.

1.4 NIBC Remuneration Policies

To provide for sound and controlled remuneration, Remuneration Policies are in place for the Managing Board and for Employees, which are updated annually. In this remuneration governance framework three separate groups of employees have been identified, addressing that the roles and responsibilities of these employees require specific risk mitigating measures and governance processes. These include (a) the Managing Board of NIBC (statutory members of the Executive Committee, (b) non statutory members of the Executive Committee and (c) Identified Staff¹.

Exception Procedure

In certain circumstances exceptions to the Remuneration Policy will be considered. In order to ensure a consistent approach to the assessment of any exception to the NIBC Remuneration policy and to secure appropriate governance of these exceptions, there is an Exception Procedure in place (see Appendix B).

¹ For the purposes of this document, the group Identified Staff encompasses Senior Management responsible for day-to-day management, Control Functions, Other Risk Takers as well as other employees with material impact on the Bank's risk profile and whose total remuneration is similar to senior management and other risk takers (hereafter "Identified Staff"). Given the rationale for risk mitigating measures that are applied to the remuneration of Identified Staff, this group will be reviewed at least annually by the Managing Board, whereby input from Risk and Compliance will be sought, and a final proposal will be put forward to the Supervisory Board for approval.

2 Remuneration governance processes

2.1 Governance and design of variable compensation

From a risk management perspective and according to the relevant regulations, in order to be effective, the remuneration processes need to be supported by strong governance and a culture of prudent risk-taking. Additionally, the roles and responsibilities of the Supervisory Board, the Managing Board and the Control Functions in relation to the various remuneration processes need to be sufficiently embedded in the remuneration processes within NIBC. Appropriately assigned responsibilities and clear alignment between the roles of all parties involved are prerequisites for executing the Remuneration Policy in line with NIBC's risk tolerances and expected staff behaviour. Therefore, in this chapter the governance of the variable compensation process in NIBC has been further detailed.

2.2 Accountabilities matrix

In the following table the roles and responsibilities of the Supervisory Board, the Managing Board, and the Control Functions (HR, Finance, Risk, Compliance and Audit) in the governance of the remuneration processes are outlined in an accountabilities matrix². This matrix is reflective of the roles and responsibilities as defined in a two-tier organization, which is the governing model for NIBC.

The following definitions will be applied:

- **Accountable:** the body or function which is ultimately answerable for the correct and thorough completion of the deliverable or task, and who delegates the work to the Executive. In other words, an Accountable must sign off (Approve) work that the Executive provides;
- **Executive:** the body or function which is first answerable for the correct and thorough completion of the deliverable or task, and who delegates the work to the Responsible. In other words, an Executive must sign off (Approve) work that the Responsible provides;
- **Responsible** those who do the work to achieve the results / outcomes of the task at hand. There is typically one body or function which is assigned (lead) execution responsibility (indicated by 'R' in the matrix), although delegated others may be required to assist in the work³;
- **Consulted:** those whose opinions are sought, typically subject matter experts; and with whom there is two-way communication;
- **Informed:** those who are kept up-to-date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication.

Within NIBC the party who is identified as being "Responsible" has the responsibility to ensure all parties who are identified as needing to be "Consulted" are indeed being sought for advice and/or input. The information provision by the Control Functions is assured by the roles and responsibilities as outlined in the accountabilities matrix.

Escalation process

Under the current governance regulations, specific aspects of the Company's remuneration policies and practices require direct overseeing by the Supervisory Board. In such areas, respecting the two-tier governance model of the Company, a decision / outcome will be sought under the guidance of the Responsible party which will satisfy not only the governance and information needs of the parties identified as Executive and Accountable, but also will be supported by both the Executive party and all Consulted parties. In case of continued differing opinions, it may be possible under the Company's governance that the advice / input of various parties will be presented by the Responsible Party to the Accountable party, if the Responsible, the Executive, and each of the Consulted parties cannot reach agreement on a single, inclusive outcome supported by all.

² Please note that the matrix does not contain any further subdivision of responsibilities between the Supervisory Board and the RNC respectively or between the Managing Board as a whole, the CEO and individual Managing Board Members respectively.

³ Please note that parties to whom responsibilities and activities are delegated, are not further specified in this matrix.

Remuneration Governance - Accountabilities Framework

	Decision/ Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
1a	A	E	R	C	C	C	I	<p><u>Remuneration Policy - Annual Review:</u></p> <p>When: In Q4 preceding the performance year.</p> <p>What: A review of the Remuneration Policy is undertaken by the Control Functions, led by HR. The review includes (but is not limited to) an analysis of the risks inherent in the remuneration policy, and mitigating measures, as well as an assessment of:</p> <ul style="list-style-type: none"> ▪ The underlying Remuneration Philosophy and Principles; ▪ The guidelines for funding, distribution and pay mix; ▪ The nature of the variable compensation instruments used and the related performance / deferral / retention periods; ▪ Whether these policies are still in line with the business strategy and the risk tolerances of NIBC and are compliant with the regulatory requirements. ▪ Scenario analyses (carried out in advance) ▪ Pay ratios within the company <p>The results of the annual audit (see 18a) will be included in this review.</p>
1b	A	E	R	C	C	C	I	<p><u>Remuneration Policy – Amendments:</u></p> <p>When: In Q4 preceding the performance year.</p> <p>What: Based on the annual review of the Remuneration Policy, any changes and amendments, where required, are prepared by the Control Functions (led by HR). Any amendments are proposed to the Managing Board for approval.</p> <p>A final proposal is subsequently presented by the Managing Board to the Supervisory Board for adoption.</p> <p>The adopted Remuneration Policy will be effective from January 1 of the following year.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
1c	A	E	R	I	I	I	I	<p><u>Remuneration Policy - Implementation:</u></p> <p>When: Throughout the year.</p> <p>What: Implementation of the Remuneration Policy as well as any other remuneration and governance decisions made by the Supervisory Board is the responsibility of the Managing Board and is executed by the relevant Control Functions.</p>
1d	A	E	R	C	C	C	I	<p><u>Remuneration Policy - Managing exceptions:</u></p> <p>When: Throughout the year.</p> <p>What: HR will monitor exceptions to the Remuneration Policy and in cooperation with the other Control Functions will ensure that risk mitigating measures are taken in accordance with NIBC's Remuneration Policy Exception Procedure. HR will present exception proposals to the Managing Board for approval.</p> <p>A final proposal is subsequently presented by the Managing Board to the Supervisory Board for adoption, in case these exceptions are material or refer to exceptions for members of the Managing Board.</p>
2	C	A	C	C	E/R	C	I	<p><u>Establish the projected funding / pool size for the upcoming performance year (new grants):</u></p> <p>When: In Q4, preceding the performance year.</p> <p>What: Risk, Finance and HR discuss the outcomes of the ex ante and scenario analyses and any recommendations regarding the projected funding / pool size for the upcoming performance year (see 15). Finance together with HR puts forward a proposal for the projected size of this variable compensation pool (at NIBC level) to the Managing Board. The Managing Board decides on this projected funding / pool in consultation with the Supervisory Board.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
3	A	E	C	C	R	I	I	<p><u>Determine the expected funding / pool:</u></p> <p>When: At the beginning of Q1, following the performance year.</p> <p>What: Risk, Finance and HR discuss the outcomes of the ex post analysis and any recommendations regarding the size and the distribution amongst (S)BU's of the expected funding / pool for new grants related to the past performance year as well as for any outstanding deferred / performance-related variable compensation grants made in earlier years which may vest (see 16). Finance together with HR puts forward a proposal for the size and distribution of this variable compensation pool (at NIBC and (S)BU level) to the Managing Board for approval.</p> <p>A final proposal is subsequently presented by the Managing Board to the Supervisory Board for adoption. The Supervisory Board may decide to downsize the funding/compensation pool for new grants as well as for outstanding deferred performance related variable income.</p>
4b	I	A	E/R	I	I	I	I	<p><u>Allocation of the annual variable compensation grants to the bonus eligible members of the group Identified Staff and bonus eligible other staff:</u></p> <p>When: In Q1, following the performance year.</p> <p>What: Upon proposal from HR (based on the input from the first reviewers/BU manager), the Managing Board approves the allocation of the total variable compensation and individual grants relating to the previous performance year, for bonus eligible Identified Staff and other staff. The allocation is based on the results of the individual performance assessments (including the ex post risk assessments – see 17c). Decisions by the Managing Board are shared for information with the Supervisory Board.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
5a	A/E	I	R	C	C	C	I	<p><u>Determine the vesting of outstanding deferred / performance related grants made in earlier years to the CEO:</u></p> <p>When: In Q1, following the performance year.</p> <p>What: Upon proposal from HR, the Supervisory Board determines the vesting of outstanding deferred / performance related compensation relating to earlier performance years, for the CEO. Depending on the nature of the outstanding compensation, the vesting is based on the outcome of ex post malus risk assessment (for deferred compensation – see 7)</p>
5b	A	E	R	C	C	C	I	<p><u>Determine the vesting of outstanding deferred / performance related grants made in earlier years to the other members of the Managing Board, the non statutory Executive Committee members and the Control Functions:</u></p> <p>When: In Q1, following the performance year.</p> <p>What: HR prepares proposals for the vesting of outstanding deferred / performance related compensation relating to earlier performance years, for the Managing Board (excl. CEO), the non statutory Executive Committee members and Control Functions. Depending on the nature of the outstanding compensation, the vesting is based on the outcome of ex post malus risk assessment (for deferred compensation – see 7). Final proposals are subsequently put forward by the CEO to the Supervisory Board, for approval.</p>
5c	I	A	E/R	C	C	C	I	<p><u>Determine the vesting of outstanding deferred / performance related grants made in earlier years to the other members of the group Identified Staff and other staff:</u></p> <p>When: In Q1, following the performance year.</p> <p>What: Upon proposal from HR, the Managing Board approves the vesting of outstanding deferred compensation relating to earlier performance years, for Identified Staff (excl. Control Functions) and other staff. Depending on the nature of the outstanding compensation, the vesting is based on the outcome of ex post malus risk assessment (for deferred compensation – see 7) Decisions by the Managing Board are shared for information with the Supervisory Board.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
6a	A	C	C	I	I	E/R	I	<p><u>Monitoring holding periods for the Managing Board:</u></p> <p>When: Throughout the year.</p> <p>What: Compliance, together with HR monitors compliance with the applicable holding periods for retained grants awarded to the Managing Board.</p>
6b	I	A	C	I	I	E/R	I	<p><u>Monitoring holding periods for Identified Staff and other staff:</u></p> <p>When: Throughout the year.</p> <p>What: Compliance, together with HR monitors compliance with the applicable holding periods for retained grants awarded to Identified Staff and other staff.</p>
7	A	E	R	C	C	C	I	<p><u>Carry out ex post measure 3 – malus assessment:</u></p> <p>When: At the beginning of Q1, prior to the vesting date of the deferred compensation.</p> <p>What: The annual vesting of deferred compensation is subject to the ex post measure 3 - malus. Malus assessments take place at Bank, (S)BU and individual level. HR together with Risk, Finance and Compliance performs this assessment to ensure sustained performance and fitting conduct, which can result in a downward adjustment only. Recommendations for effective follow-up of the identified effects and related risks are also identified and reported to the Managing Board and Supervisory Board. HR provides recommendations to the Managing Board and the Supervisory Board whether to apply malus.</p>

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	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
8a	A	E	R	C	C	C	I	<p><u>Carry out ex post measure 4 – claw back assessment:</u></p> <p>When: At least annually, at the end of Q1, and in case of special circumstances.</p> <p>What: All variable compensation already vested, paid out or released is subject to the ex post measure 4 - claw back. Claw back assessments take place at Bank, (S)BU and individual level. This assessment is performed by the Control Functions, led by HR, to ensure that significant and exceptional circumstances that are not (sufficiently) reflected in the initially applied performance indicators are taken into account. HR provides recommendations to the Managing Board and the Supervisory Board whether to adjust any of the payouts already made in earlier years.</p>
8b	A/E	I	R	C	C	C	I	<p><u>Execute ex post measure 4 – claw back with regard to the CEO:</u></p> <p>When: At least annually, in Q1, and in case of special circumstances.</p> <p>What: The Supervisory Board assesses whether to apply a claw back to variable compensation already vested, paid out or released to the CEO, hereby taking into account the outcomes of the Malus assessment performed by the Control Functions (8a).</p>
8c	A	E	R	C	C	C	I	<p><u>Execute ex post measure 4 – claw back with regard to the other members of the Managing Board, the non statutory Executive Committee members and Control Functions:</u></p> <p>When: At least annually, in Q1, and in case of special circumstances.</p> <p>What: The Supervisory Board assesses whether to apply a claw back to variable compensation already vested, paid out or released to the other members of the Managing Board, the non statutory Executive Committee members and / or Control Functions, hereby taking into account the outcomes of the Malus assessment performed by the Control Functions (8a). Final proposals are subsequently put forward by the CEO to the Supervisory Board, for approval</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval			Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO		HR	Risk	Finance	Compliance	Audit	
8d	C	A		E/R	C	C	C	I	<p><u>Execute ex post measure 4 – claw back with regard to the other members of the group Identified Staff and other staff / the company as a whole:</u></p> <p>When: At least annually, in Q1, and in case of special circumstances.</p> <p>What: The Managing Board assesses whether to apply a claw back to variable compensation already vested, paid out or released to Identified Staff (excl. Control Functions) and / or other staff, hereby taking into account the outcomes of the Malus assessment performed by the Control Functions (8a). Any claw backs affecting the whole of the Company are decided in consultation with the Supervisory Board.</p>
9a	A	E		R	C	C	C	I	<p><u>Annual review of the composition of the group Identified Staff:</u></p> <p>When: In Q1 preceding the performance year.</p> <p>What: HR together with the other Control Functions reviews the criteria for the selection of Identified Staff and prepares a proposal for updates based on the adopted criteria in the group of Identified Staff, including the determination of possible exceptions (based on the proportionality criteria). Updating is based on changing market circumstances and other criteria, function changes, promotions, additional responsibilities, etc. The outcome of this analysis and any recommendations thereof are presented to the Managing Board for approval.</p> <p>A final proposal is subsequently presented by the Managing Board to the Supervisory Board for adoption.</p> <p>The adopted list of Identified Staff will be effective from April 1 of the following year (for the whole year).</p>
9b	I	A		E/R	I	I	I	I	<p><u>Update of the Supervisory Board re changes in the group Identified Staff:</u></p> <p>When: Throughout the year.</p> <p>What: the Supervisory Board is informed by HR of any changes to the manning of the group of Identified Staff, in particular Control Functions.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval			Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO		HR	Risk	Finance	Compliance	Audit	
10	A	E		R	I	I	I	I	<p><u>Annual review of the total remuneration of the Managing Board, the non statutory Executive Committee members and Identified Staff, and the highest variable incomes in the Company:</u></p> <p>When: Q4, at the end of the performance year, and in the following Q1.</p> <p>What: HR provides to the Managing Board and the Supervisory Board an analysis of the total remuneration of the Managing Board, the non statutory Executive Committee member and Identified Staff, including an analysis of the highest variable incomes (>100% base salary) in the Company, to support decision making as described under 4.</p>
11	A/E	C		R	I	I	I	I	<p><u>Annual review of the total remuneration of the Supervisory Board:</u></p> <p>When: Q4, at the end of the performance year, and in the following Q1.</p> <p>What: HR provides to the Supervisory Board an analysis of the total remuneration of the Supervisory Board, including any recommendations from the Managing Board, to be determined by the Supervisory Board.</p> <p>The Supervisory Board puts forward a final proposal to the General Meeting of Shareholders for approval.</p>
12a	A/E	I		R	C	C	C	I	<p><u>Determine any welcome / exit packages to the CEO:</u></p> <p>When: Throughout the year, if needed.</p> <p>What: The Supervisory Board decides on any proposed terms and conditions in case of hiring or terminating the CEO, which includes but is not limited to any (material) sign-on, or other guaranteed bonuses during the first year of hiring and / or exit packages. For this, the exception procedure is applicable.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
12b	A	E	R	C	C	C	I	<p><u>Determine any material welcome / exit packages to the other members of the Managing Board, the non statutory Executive Committee members and Control Functions:</u></p> <p>When: Throughout the year, if needed.</p> <p>What: HR prepares proposals for the terms and conditions in case of hiring or terminating Managing Board Members (excl. the CEO) which includes but is not limited to any (material) welcome and / or exit packages, and presents these to the CEO.</p> <p>Proposals for the non statutory Executive Committee members, Control Functions and any other staff receiving variable compensation \geq 100% of Base Salary are presented to the Managing Board.</p> <p>All proposals are presented by CEO respectively Managing Board for final approval to the Supervisory Board.</p> <p>In the event of exceptions to the remuneration policy, the Exception Procedure is applicable.</p>
12 c	I	A	E/R	C	C	C	I	<p><u>Determine any material welcome / exit packages to the other members of the group Identified Staff and other staff:</u></p> <p>When: Throughout the year, if needed.</p> <p>What: HR puts forward to the Managing Board proposals for the terms and conditions in case of hiring or terminating Identified Staff (excl. Control Functions) and / or other staff, for approval (for packages variable compensation < 100% of Base Salary), which includes but is not limited to any material welcome and / or exit packages. Decisions by the Managing Board are shared for information with the Supervisory Board. in accordance with the Exception Procedure.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
13a	A/E	E/R	C/R	C	C	C	I	<p><u>Goal setting for the Managing Board / non statutory Executive Committee members:</u></p> <p>When: Q4, at the end of the performance year, and in the following Q1</p> <p>What: KPI's and goals are set for the Managing Board / non statutory Executive Committee members with the input from the Control Functions. Goals are determined for Group, (S)BU and individual performance and a distinction is made between financial and non financial targets.</p> <p>The CEO discusses proposed Goals for the Managing Board / non statutory Executive Committee members with the Supervisory Board for approval. The Supervisory Board sets the goals for the CEO.</p>
13b	I	A/E	R	I	I	I	I	<p><u>Initial goal setting for Identified Staff:</u></p> <p>When: In Q1 of the performance year.</p> <p>What: KPI's and goals are set for Identified Staff by their respective line managers. Targets are determined for Group, (S)BU and individual performance and a distinction is made between financial and non financial targets. Company/Group targets are in line with the targets of the Management Board; all other targets are aligned with the strategy of the company.</p>
13c	I	A	E/R	C	C	C	C	<p><u>Review of goal setting for Identified Staff and finalization:</u></p> <p>When: At the end of Q1 of the performance year.</p> <p>What: HR gathers all goals for Identified Staff and discusses the goal setting with the other Control Functions for improvements / amendments. These are discussed with the Managing Board. Final goals are signed off by the Managing Board and communicated to all Identified Staff. The Supervisory Board is informed of the goals for Control Functions.</p>

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	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
14a	I	A	E/R	R/C	C	C	C	<p><u>Carry out ex ante measure 1- risk adjusted performance - annual review of the NIBC framework of performance indicators:</u></p> <p>When: In Q4, before the start of the upcoming performance year.</p> <p>What: HR together with Finance and Risk will review the NIBC framework of performance indicators. This framework will include financial, as well as non-financial measures, adjusted for costs, risks and liquidity, where appropriate. Each control function reviews those performance indicators in the framework related to their own area of Control and, if necessary, provides additional guidelines for staff to ensure proper use of these indicators and prevent conflicts of interest. The Managing Board signs of on the framework.</p>
14b	A	E	I	R	C	C	I	<p><u>Carry out ex ante measure 1- risk adjusted performance - assessment of company-wide performance goals:</u></p> <p>When: In Q4, before the start of the upcoming performance year.</p> <p>What: Risk, together with Finance and Compliance, assesses that the company-wide performance goals as set out in the remuneration policies are still in line with the risk tolerances of NIBC and regulatory requirements. Risk presents proposed goals / amendments to the Managing Board for approval.</p> <p>A final proposal is subsequently presented by the Managing Board to the Supervisory Board for adoption.</p>
15	A	E	I	R	C	I	I	<p><u>Carry out ex ante measure 2 - financial soundness (1) in relation to the projected total variable compensation pool for the upcoming year:</u></p> <p>When: In Q4, before the start of the upcoming performance year.</p> <p>What: Risk together with Finance annually conducts an ex ante and scenario analysis to ensure that the size of the projected total variable compensation pool for the upcoming year (at NIBC and (S)BU level) is acceptable given the financial soundness parameters of NIBC.</p>

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	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
16	A	E	I	R	C	I	I	<p><u>Carry out ex post measure 1 - financial soundness (2) in relation to the expected funding / pool:</u></p> <p>When: In Q4, at the end of the performance year, and in the following Q1.</p> <p>What: Risk together with Finance annually conducts an ex post analysis to ensure that the size of the expected total variable compensation pool (at NIBC and (S)BU level) for new grants related to the past performance year and for deferred / performance-related grants which were made in earlier years and are now about to vest, is acceptable given the financial soundness parameters of NIBC. Based on this analysis the Supervisory Board may adjust the variable compensation pool downwards.</p>
17a	I	A	C	E/R	C	C	C	<p><u>Carry out ex post measure 2 – sustainable performance and fitting conduct – complete individual performance assessment of to the other members of the group Identified Staff and other staff:</u></p> <p>When: In the beginning of Q1 following the performance year and prior to the grant date of the variable compensation.</p> <p>What: The annual grants of variable compensation are subject to the ex post measure 2 – sustainable performance and fitting conduct the Committee Control Functions provides information / recommendations whether to adjust payouts to bonus eligible Identified Staff and other staff to appropriately reflect performance. Individual recommendations are put in Workday’s end of year evaluation module (based on the outcome of the Risk monitor process) for incorporating in the standard performance evaluation and calibration process.</p> <p>The Committee Control Functions discusses the recommendations for Identified Staff with the Managing Board. Final recommendations by the Managing Board for risk monitor scores and consequences for variable compensation are signed off by the Supervisory Board.</p> <p>Risk monitor scores and consequences for other staff members are signed off by the managing board.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
18a	A	E	I	I	I	I	R	<p><u>Annual audit of NIBC's performance management and remuneration principles, policies, practices, and governance and control framework:</u></p> <p>When: At least annually, in Q2/Q3 following the performance year.</p> <p>What: Audit performs an audit which will include but is not limited to:</p> <ul style="list-style-type: none"> ▪ The Company's performance management and remuneration principles, policies and practices; ▪ Their alignment with the Company's values and principles, strategy, and long-term interests; ▪ Their reflection of applicable corporate governance and regulations; ▪ The overall governance and control framework regarding the performance management and remuneration of the Supervisory Board, Managing Board, Identified Staff and other staff; ▪ Goal setting for Managing Board and Identified Staff. <p>Audit will assess amongst others their adequacy, their overall impact and effectiveness, mitigation of risks, and compliance.</p> <p>The outcomes of these audits are first discussed with the other Control Functions. Recommendations and changes in order to enhance their effectiveness and compliance, and mitigate risks are proposed to the Managing Board for approval.</p> <p>Final outcomes and recommendations are subsequently presented by the Managing Board to the Supervisory Board for adoption.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
18b	A/E	I	R	C	C	C	C	<p><u>Involvement and independence of the Control Functions:</u></p> <p>When: Throughout the year.</p> <p>What: The Supervisory Board ensures proper involvement and independence of relevant internal Control Functions, and other competent functions, amongst others through having effective escalation procedures in place, to ensure sound risk management of remuneration. At least once a year, the Remuneration and Nomination Committee meets with the Committee of Control Functions in order to discuss the status of governance and compliance on remuneration within the company.</p>
18c	A/E	I	I	I	I	I	I	<p><u>Involvement of other Supervisory Board committees:</u></p> <p>When: At least once a year.</p> <p>What: The Remuneration and Nomination Committee collaborates with other Supervisory Board committees such as the Audit and Compliance Committee (ACC) and Risk Policy Committee (RPC), including inviting the Chairman of the RPC as well as the Chairman of the Risk Management Committee to its meetings to discuss specific risk aspects of remuneration as applied within the Company.</p>
19a	A	E	C	I	R	C	I	<p><u>Remuneration disclosure in the Annual Report:</u></p> <p>When: In Q1 and the beginning of Q2 following the performance year.</p> <p>What: Data is collected by HR from all (S)BU's with respect to Managing Board remuneration in order to be able to disclose the required data at Company level in the Annual Report. Also a description of the company's remuneration principles and policy, and other qualitative information to be disclosed in the Annual Report is provided. This information is provided to the Remuneration and Nomination Committee of NIBC who is responsible for the disclosure in the Annual Report.</p>

Remuneration Governance - Accountabilities Framework

	Decision/Approval		Control Functions					Activity description
	Supervisory Board / RNC	Managing Board / CEO	HR	Risk	Finance	Compliance	Audit	
19b	A	E	R	C	C	C	I	<p><u>Additional disclosures on remuneration:</u></p> <p>When: In Q1.</p> <p>What: HR prepares additional aggregated quantitative and qualitative disclosures regarding the remuneration of Identified Staff and provides these to the Remuneration and Nomination Committee of NIBC. This information is subsequently available on the company website.</p>

Appendix A - Overview of NIBC's ex ante and ex post risk measures applicable to remuneration

Under the current governance regulations, financial institutions are required to perform so-called ex ante and ex post risk analyses to ensure risk mitigation is applied to variable remuneration. The outcomes of such analyses may result in downward adjustments of grants, vesting and/or payouts.

Ex ante measures are risk mitigating measures which take into account potential adverse developments in the future. They are in the form of adjustments to remuneration for risk whilst remuneration is accrued, i.e. before, during or at the end of the accrual / performance period.

Ex post measures are risk mitigating measures which ensure sustainability of performance in light of observed risk and performance outcomes. They are in the form of adjustments that are applied by the Company to remuneration after the accrual / performance period has ended (when individual performance results for remuneration payout and deferral are established) as well as at the end of any deferral period and at any time after remuneration has been paid out.

NIBC has endeavoured to seek an appropriate balance of ex ante and ex post adjustments to ensure effectiveness both on short term and longer term risk taking behavior of employees. Finance, Risk and Compliance are responsible for the execution of the various ex ante and ex post analyses that have been introduced by NIBC to ensure the remuneration practices are aligned with the defined risk tolerances and behaviours.

Appendix B- Exception Procedure

1. Introduction

The NIBC Remuneration Policy (hereafter: "the Policy") applies to all staff. However, in certain circumstances exceptions to the Policy will be considered to achieve NIBC's Talent Management aspirations, to respond to competitive conditions on local labor markets, or to comply with local legal and / or governance requirements. Exceptions need to be duly managed and brought to the attention of the appropriate level for discussion and sign off. The purpose of this procedure is to ensure a consistent approach to the assessment of any exception from the Policy within NIBC and to secure appropriate governance where exceptions from the Policy would be applied.

2. Effective date

This procedure came into effect from 1 January 2012. It will remain in place until such a moment the Supervisory Board adopts any changes thereto upon which the revised procedure will become effective.

3. Scope

The procedure applies to all material and non-material exceptions to the Policy both at policy and individual level.

An example of an exception on policy level may be the introduction of a special variable compensation arrangement to a specific group of staff, such as a carried interest arrangement.

An example of an exception on individual level may be the maximum ratio of fixed vs. variable compensation exceeding 100% in individual cases. Any sign-on / guaranteed bonus of the Policy also qualifies as an exception for which this procedure needs to be followed.

Local policies or individual terms and conditions that were already agreed upon prior to the effectuation of the Policy and which are deviating from the Policy, are considered to be exceptions and require authorization according to the procedure as described herein.

4. Criteria for exceptions

The key principle for an exception is that it must be demonstrated that there is an evidenced business or legal / governance need for an exception to or deviation from the Policy and that the proposed solution does not result in a position that represents higher remuneration risk, e.g. as a result from additional mitigating / compensating factors put in place.

A request for exception should include one or more of the following rationales:

- Evidence and argumentation are presented that introducing the proposed exception to NIBC's Remuneration Policy is necessary to avoid a disadvantage for the Company in competing for talent on the labor market or in the retention of existing employees. This is to be supported by market data or other relevant evidence; and / or,
- It is demonstrated that in the specific situation at hand meeting the requirements of NIBC's Remuneration Policy will result in significant adverse implications for personnel, and that the proposed exception to NIBC's Remuneration Policy will result in mitigation of these implications; and / or,
- It is demonstrated that meeting the requirements of NIBC's Remuneration Policy will result in violating applicable (local) labor law, regulations and / or governance, and that the proposed exception to NIBC's Remuneration Policy is an acceptable alternative.

In each of these rationales, it should also be demonstrated that the proposed exception is in alignment with the spirit of NIBC's Remuneration Policy.

Exceptions will be rejected in case:

- Acceptance might lead to excessive and imprudent risk-taking;
- Acceptance might lead to potential reputation damage;
- The NIBC Remuneration principles as set out in Article 2.2 of the Policy are no longer met;
- The exception would not be in line with the NIBC Employee Value Proposition (see Article 2.1 of the Policy).

5. Risk alignment of exceptions

With the exception request, risk mitigating factors or other measures already in place or about to be implemented with the introduction of the requested exception, need to be presented, which will keep or bring the risk profile in line with the risk tolerances of the Policy. This may include additional governance steps or activities, or specific remuneration elements adjusting for risk and compliance considerations.

In case of an exception on policy level, an ex-ante risk assessment carried out by Risk Management also needs to be included.

Also, assurance needs to be provided that the risk mitigating factors or other compensating measures are operational and effective. Such assurance will be provided by Risk Management and / or Compliance.

6. Required details

The request should provide sufficient detail to allow assessment of the need for the exception and the effectiveness of accompanying risk mitigating factors or other measures.

Only written requests for exceptions which contain at least the following information will be taken into consideration:

- Description of the situation for which the exception is requested;
- Reference to the exact article of the Policy, to which the exception is requested;
- Wording of the exception as intended to be implemented;
- In case of an exception on the basis of legislation / governance, a description of the applicable legislation / governance for which the exception is requested;
- Motivation / business case, underpinning market data, mitigating measures (including an ex-ante risk assessment in case of an exception at policy level) and such other information which would be needed to assess the situation appropriately.

7. Responsibilities

In this procedure the following parties are involved:

(a) HR Business Partner of the (S)BU

Exception requests should always be made via the HR Business partner of the (S)BU. S/he is responsible that for any situation in their respective (S)BU which could be considered an exception to the Policy, an exception request is filed.

(b) The direct line or functional manager

The direct line or functional manager to whom the staff member(s) report(s) for whom the exception is requested, is responsible for sign-off on the exception request before it is sent to the Head of Human Resources. In case of an exception at policy level, sign-off by the Head of the (S)BU concerned is also required.

(c) The Head of Human Resources

The Head of Human Resources receives the exception request from the HR Business Partner of the (S)BU and assesses its completeness / quality / viability.

The Head of Human Resources decides whether the request is material or non-material before presenting (including own advice) to the Managing Board, in case the Managing Board decides to approve the exception, the exception -if material- will be sent for final approval to the Supervisory Board.

The Head of Human Resources is responsible for communicating the outcome of the decision of the Managing Board and / or Supervisory Board to all stakeholders involved.

(d) The Managing Board / Supervisory Board

The Managing Board and, and in cases of material exceptions, the Supervisory Board will decide on approval of any exception request.

Exceptions (material and non-material) where it concerns members of the Managing Board are subject to final approval of the Supervisory Board.

(e) The Control Functions Risk, Compliance, Audit

The Control Functions Risk and Compliance will provide advice on the remuneration risks involved with the exception and any risk mitigating measures. Assurance that the risk mitigating factors or other compensating measures are operational and effective will be provided by Risk Management and / or Compliance. Such advice / assurance will be provided upon request of the HR Business Partner of the (S)BU and / or the Head of Human Resources. In case of an exception on policy level, an ex-ante risk assessment will need to be provided by Risk Management.

Audit will annually review the execution of the exception procedure.

8. Authorization procedure

The HR Business Partner of the (S)BU sends their requests for exception, including approval of the direct line / functional manager, to the Head of Human Resources.

The Head of Human Resources will assess the request document(s) before sending through for approval. If the request does not meet the requirements as outlined in this procedure, it will be sent back to the HR Business Partner of the (S)BU for further completion.

All proposed material exceptions will on forehand be discussed in the Committee of control Functions

The Head of Human resources will decide on the materiality, but in any case material includes:

- Uncapped arrangements
- Arrangements with groups of employees (excluding exit-arrangements as consequence of the Social Protocol)
- Exit packages with a correction factor of 2,0 (of legal severance pay formula (transitievergoeding) and an amount exceeding EUR 100K

The Head of Human Resources will decide whether the request can be dealt with by the Managing Board (non-material exceptions) or will need to be send to the Supervisory Board for final approval (material exceptions). The Head of Human Resources will present the proposal to the appropriate Board(s), including his/her advice of the CCF.

The Managing Board and, where it concerns material exceptions, the Supervisory Board will carefully consider the effects of proposed exceptions, before deciding on approval.

The Head of Human Resources will communicate the outcome of the deliberation and (in case of acceptance of the exception) approval of the Managing Board and / or Supervisory Board to all stakeholders involved.