

# MANAGING BOARD REMUNERATION POLICY

DATE  
1 January 2020



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**Revision History**

<b>Version</b>	<b>Effective Date of Policy/Change</b>	<b>Modified by</b>	<b>Summary of change</b>	<b>Date of approval (of change) by Supervisory Board and General Meeting of Shareholders</b>
1.0	1 January 2020	Human Resources	New Policy for MB / Including requirements Shareholders Rights Directive	December 2019 (RNC / SB); For approval on AGM in April 2020

## SUMMARY MANAGING BOARD REMUNERATION POLICY

To whom does it apply?	This remuneration policy applies to the members of the Managing Board of NIBC Holding N.V. and NIBC Bank N.V.
What is the purpose?	The Remuneration Policy describes the remuneration strategy and supporting policies that are aligned to the strategic objectives and long term interests.
What are the principles?	<p>The Remuneration Policy is based on four key principles:</p> <ol style="list-style-type: none"> <li>1. Compensation is aligned with NIBC's business strategy and risk appetite;</li> <li>2. Compensation is appropriately balanced between short and long term;</li> <li>3. Compensation is externally competitive and internally fair; and</li> <li>4. Compensation is managed in an integrated total compensation approach.</li> </ol>
Ownership of the Policy	This Policy is owned by Human Resources.
Internal Policies relating to the Remuneration Policy	<ul style="list-style-type: none"> <li>- Charter Remuneration and Nominating Committee</li> <li>- Charter Supervisory Board</li> <li>- NIBC Governance of Remuneration Policies: Roles and responsibilities</li> <li>- Staff manual</li> </ul>

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## 1. INTRODUCTION

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### 1.1. General

The Managing Board Remuneration Policy (“Remuneration Policy”) and its amendments are submitted for approval to the General Meeting of Shareholders of NIBC Holding N.V. and NIBC Bank N.V. following a proposal by the Supervisory Board (“SB”) and becomes effective as of 1 January 2020. The Remuneration Policy is aimed at ensuring a balanced sustainable and competitive remuneration package supporting the long term strategy.

### 1.2. Process of approval

NIBC has established this Remuneration Policy as regards to the members of the Managing Board (“MB”). Shareholders have the right to vote on the Remuneration Policy at the General Meeting. Their vote is binding. NIBC shall only pay remuneration to the members of the MB in accordance with the Remuneration Policy as approved by the General Meeting. An approval by the General meeting acquires a qualified majority of 75% of the votes.

NIBC will submit the Remuneration Policy to a vote by the General Meeting at every material change and in any case at least every four years.

Where the Remuneration Policy is revised, a description and explanation of all significant changes, the decision making process followed for its determination, review and implementation, measures to avoid or manage conflicts of interests, pay ratios and, where applicable, the role of the Remuneration and Nominating Committee (“RNC”) or other committees concerned is presented. Next, it is also explained how it takes into account the votes and views of shareholders and other stakeholders on the Remuneration Policy and reports since the most recent vote on the Remuneration Policy by the General Meeting.

When the General Meeting does not approve the proposed amendments to the Remuneration Policy, NIBC shall continue to pay remuneration to the members of the MB in accordance with the existing approved Remuneration Policy and shall submit a revised policy for approval at the following General Meeting.

After the vote on the Remuneration Policy at the General Meeting, the Remuneration Policy together with the date and the results of the vote is made public within 15 days on the website of NIBC and remains publicly available at least as long as it is applicable.

NIBC may, in exceptional circumstances only, decide to temporarily derogate from the Remuneration Policy. Exceptional circumstances shall cover only situations in which the derogation from the remuneration policy (with regards to base salary, its distribution and benefits) is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability. In such case the SB will, after being advised by the RNC and taking into account the view of other stakeholders, decide and will account for this at the next General Meeting.

### **1.3. Definitions**

<b>General Meeting (GM)</b>	General meeting of shareholders of NIBC
<b>Managing Board (MB)</b>	The Managing Board of NIBC
<b>NIBC</b>	NIBC Holding N.V. and NIBC Bank N.V.
<b>RNC</b>	The Remuneration and Nominating Committee of the Supervisory Board
<b>Supervisory Board (SB)</b>	The Supervisory Board of NIBC

### **1.4. Applicability**

This Remuneration Policy applies to the members of the MB.

### **1.5. Purpose**

The Remuneration Policy describes the remuneration strategy and supporting policies that are aligned to the social consensus, strategic objectives and long term interests of NIBC.

### **1.6. Ownership**

Human Resources is the designated owner of this Remuneration Policy and, as such, responsible for the maintenance and review of the document every year, or more frequently if circumstances (such as changes in relevant laws or regulations) so require. Human Resources also monitors adherence to the Remuneration Policy and periodically reports on such matters to the RNC / SB.

### **1.7. Internal policies and/or procedures relating to the Remuneration Policy**

In several other NIBC policies reference is made to similar topics as described in this Policy, such as:

- Charter Remuneration and Nominating Committee
- Charter Supervisory Board
- NIBC Governance of Remuneration Policies: Roles and responsibilities
- Staff Manual as agreed with the Employees' Council
- Policy on Conflict of Interest

### 1.8. External policies and / or regulations to the Remuneration policy

The SB has taken all relevant applicable laws and regulations and guidelines into account in its review, most notably:

- the Dutch Central Bank Principles on Sound Remuneration Policies (*DNB Regeling Beheerst Beloningsbeleid Wft 2017*)
- the guidelines on sound remuneration policies of the European Banking Authority that apply as of 1 January 2017
- the Dutch Corporate Governance Code of 8 December 2016 (DCGC), including the reports of the monitoring commission
- Capital Requirements Directive IV (2013/36/EU)
- NVB Future Oriented Banking, December 2014
- the Act on the Remuneration Policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*)
- Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, hereinafter: the FMSA)
- Regulatory technical standards on the identification of identified staff as included in Delegated Regulation (EU) NO 604/2014
- MiFID II (2014/65/EU)
- Shareholder Rights Directive II (2017/828), and additional implementation guidelines in the Netherlands.

The SB takes all of the above into account in all its future remuneration decisions and is convinced that the Remuneration Policy is sustainable, balanced, in line with its chosen strategy and risk appetite and with the latest regulations and guidelines.

## 2. REMUNERATION PHILOSOPHY NIBC

### 2.1. General

The remuneration philosophy of NIBC is based on the Employee Value Proposition (EVP) and the remuneration principles.

### 2.2. Employee Value Proposition

NIBC believes that the remuneration it offers is an essential element of its EVP enabling it to attract, retain and motivate the talent needed to ensure lasting business success. NIBC'S EVP is a holistic offering of 4 key components.

	INDIVIDUAL	COLLECTIVE
TRANSACTIONAL	COMPENSATION	BENEFITS
RELATIONAL	LEARNING AND DEVELOPMENT	ORGANISATIONAL CLIMATE

Whereas NIBC believes it is important to be and remain broadly competitive on the transactional components, it aims to positively differentiate itself by placing a large emphasis on the relational components of the EVP. This, NIBC believes, will help to further build strong relationships with our clients, thus, strengthening the culture of putting clients' interest first.

### 2.3. Remuneration Principles

The Remuneration Policy deals with the transactional components of the EVP, Compensation and Benefits. The relational aspects of the EVP are dealt with separately as part of the NIBC Organisational Development. The Remuneration Policy is based on four key principles:

- **Compensation is aligned with NIBC's business strategy and risk appetite:** the aim is to ensure that the MB members are rewarded for achieving NIBC's Mid Term Objectives in line with the strategy, the long-term interest and sustainability of the company and not for irresponsible risk taking or failure. To this end, an annual Performance Contract is drawn up for each of the MB members that contains goals that contribute to

the realization of the Mid Term Objectives and on the other hand to Risk Appetite and Organizational Control.

- **Compensation is appropriately balanced between short and long term:** the aim is to make sure that reward is earned on the basis of both short term and long term business success (financial and non-financial) and that distributions and vesting of reward are appropriately spread over time. The annual goals of the MB members consist for 50% of financial and for 50% of non-financial goals.
- **Compensation is externally competitive and internally fair:** the aim is to allow NIBC to attract and retain talent at all levels from relevant competitors and to manage total compensation relative to business (bank and team) and personal performance delivered, whilst encouraging bank-wide co-operation and communication. NIBC conducts periodical benchmarks to ensure appropriate adaptation to the external labor market and its competition. Furthermore the internal pay-ratio is an important parameter.
- **Compensation is managed in an integrated total compensation approach:** the aim is to integrate all significant components of reward (e.g. annual base salary, cash bonus, deferred bonus, equity compensation) in the management of total compensation. In its comparison to the external market NIBC takes into account the total compensation, including various means of reward as well as post-employment benefits.

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## **3. REMUNERATION CONDITIONS MB**

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### **3.1. General remuneration conditions**

In general, the members of the MB, like other employees of NIBC, are entitled to a comprehensive set of employee benefits, broadly similar to those for other employees, including but not limited to membership of the NIBC Pension Fund.

However for the members of the MB specific conditions apply taking into account international regulations and in view of the fact that additional regulations, such as the DCGC and the Dutch Banking Code, apply largely to them as statutory directors of NIBC.

### **3.2. Identified Staff**

The members of the MB are appointed as identified staff as being an executive member of a corporate body (Identified Staff).

### **3.3. Peer Group**

In order to determine appropriate market levels of remuneration for the members of the MB, a hybrid benchmark peer group has been determined by the SB consisting of all AEX and all AMX (Euronext) listed companies. Next the SB also takes into consideration a peer group of Dutch banks for remuneration decisions. The composition of these peer groups reflects the labor market NIBC competes in for talent.

### **3.4. Market Positioning**

The level of total compensation for the Chairman and the members of the MB are targeted just below the median of their peers in the aforementioned peer groups.

### **3.5. Base salary**

NIBC abolished all variable remuneration for the members of the MB as of 2020, receiving only a base salary since. The base salary is paid in cash.

The base salary for the Chair of the MB is determined at EUR 987,912 gross per annum (1/1/2020)

The base salary for the other members of the MB is determined at EUR 718,482 gross per annum (1/1/2020).

Base salaries are inclusive of statutory holiday pay and 13th month pay. The base salary in cash is payable in twelve equal monthly installments.

Base salaries are annually adjusted per 1 January based on the three year average merit increase of employees of NIBC.

### **3.6. Variable Compensation**

The Chairman and the members of the MB are as of 1 January 2020 not eligible for variable compensation. Before January 2020 the MB was eligible for variable compensation. An overview of the vested and unvested instruments acquired in earlier years and the applicable conditions are presented in the annual report of NIBC. On these instruments the regular malus and claw back conditions continue to apply (see 3.9).

### **3.7. Employment Contracts and Appointment**

The members of the MB all have indefinite employment agreements with NIBC Bank N.V. which are fully compliant with the DCGC. These employment agreements can be terminated according to the conditions as stated in the Dutch law or in any event when the pensionable age is reached.

The members of the MB are appointed to the MB for a maximum term of 4-years, which term can be renewed. When no renewal of the term is offered a termination of the employment agreement will follow.

### **3.8. Benefits**

#### **General benefits**

Like other employees of NIBC, the members of the MB are entitled to a comprehensive set of employee benefits, broadly similar to those for other employees, such as:

- The pension scheme / arrangement for employees is applicable for the MB consisting of a collective defined contribution pension arrangement (CDC) up to a pensionable salary of EUR 110.111 (per 1 March 2020) and an additional (gross) contribution up to a maximum pensionable salary equal to their respective base salaries.  
The pensionable age for all NIBC employees in the Netherlands per 1 January 2018 is 68. A standard flat rate contribution equal to 30.4% (for 2018-2020) of pensionable salary in the CDC arrangement for each member is paid by NIBC into the Pension Fund. Employees are required to make a personal contribution of 4.2% of their pensionable salary in the CDC arrangement towards their pension. The additional contribution for income levels above the pensionable salary of the CDC arrangement is 25%.
- Contributions towards insurances (accident, disability, business travel) are also applicable for the MB
- Number of holidays per year of 28 days
- Entitlement to a company (lease) car up to a certain limit or, at their choice, the equivalent value of the (lease) car limit as a cash allowance. The limit for a company (lease) car and for the alternative cash car allowance amounts to (i) EUR 2,700 for the Chair and (ii) EUR 2,200 for the other members of the MB per month.

#### **Other benefits**

The Chair is entitled to the use of a permanent chauffeur from the chauffeurs pool whilst the other members of the MB are entitled to the use of a chauffeur from the pool unless specifically otherwise agreed by the SB.

### **3.9. Other conditions:**

#### **Malus and Claw Back**

In accordance with applicable laws and regulations, NIBC has incorporated in its governance policies the opportunity to reduce, in specific situations, the value of some or all of the unvested (deferred) compensation, whether in cash or in equity-linked instruments. This is known as Malus. Given the abandonment of the variable remuneration for the MB in 2020 this Malus applies to the unvested (deferred) compensation from previous years. When assessing the possibility of vesting of outstanding deferred variable compensation grants, performance retesting will be done with regard to the initial financial / commercial performance indicators.

Additionally, the following Malus factors regarding the longer term financial / commercial performance should be taken into account (at company-wide, (S)BU and or individual level):

- (i) a significant downturn in financial performance (at company, (S)BU and or project level);
- (ii) material financial restatements of NIBC results;
- (iii) significant impairments (at company, (S)BU and / or individual level);
- (iv) significant failure in risk management, SOX deficiencies or other material deficiencies in the governance framework (at company, (S)BU and / or individual level);
- (v) serious breach of legislation, regulation or (internal) compliance policies (at individual level);
- (vi) proven inappropriate conduct including fraud, money laundering, market abuse, insider trading, providing misleading information and / or divulging confidential information to unauthorized third parties (at individual level); or
- (vii) proven culpability and / or serious misconduct as determined through an internal or external special investigation resulting in disciplinary action (at individual level).

Each year, prior to the vesting date of 1 April, the Control Functions will provide a Malus assessment to the SB. The SB will decide whether or not there are any reasons to invoke the Malus and withhold some or all of the unvested compensation for that period or the whole period. Such decisions shall be based on an ex-post risk analysis.

Moreover, NIBC has, in accordance with applicable laws and regulations, incorporated in its governance policies the opportunity to invoke a so called Claw Back if variable compensation has already been paid out. A Claw Back typically operates in the case of:

- (i) established fraud; or
  - (ii) misleading information
- in relation to the Malus factors (see above).

Ex-post Claw Back risk assessments take place annually on an institutionalized basis regarding any variable compensation grants that have already vested and/or have already been paid out. In addition they may take place on an ad hoc basis, in case an event occurs or information would become available that would lead to a Claw Back. The SB will decide whether or not there are any reasons to invoke the Claw Back. Moreover, in exceptional circumstances, the SB has the discretion to adjust any or all variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects.

#### **Hedging**

The members of the MB are not allowed to use personal hedging or insurance instruments in relation to their equity (linked) variable compensation.

### 3.10. Special Situations

#### Sign-On payment

Only in exceptional cases and limited to the first year of employment the SB may offer sign-on payment to a new member of the MB, relating to the commencement of employment under the responsibility of NIBC and only if NIBC has a sound capital base.

#### Severance Payment

Any severance payment for the members of the MB is set at a 12 months base salary in line with the DCGC and will not be awarded if the agreement with the member of the MB is terminated early at the initiative of the member of the MB, or in the event of seriously culpable or negligent behavior on the part of the member of the MB, nor in case of failure of NIBC.

#### Retention plan in relation to a sustainable change in the organization

NIBC may in case of a sustainable change in the organization, e.g. in case of change of control, the SB may award a retention bonus if:

- a) the retention bonus is necessary because of a sustainable change in the organization of NIBC (and is not based on performance (criteria)); and
- b) the retention bonus is exclusively intended to retain the respective person within NIBC; and
- c) all conditions for the award of variable remuneration as included in applicable laws and regulations have been met, including, insofar as applicable, requirements applicable to Identified Staff of this Remuneration Policy (other than the requirement of performance criteria and ex-ante risk adjustments).

A retention bonus that exceeds the applicable bonus caps of article 1:121 of the FMSA may only be awarded if:

- a) all conditions as set forth under i. up to and including iii. above have been met; and
- b) the award of the retention bonus, including any other variable remuneration awarded to the respective person in the year of award, does not exceed 100% of the respective person's fixed remuneration in the year of award (which may be 200% in case shareholder's approval has been obtained as required by article 1:122 of the Financial Markets Supervision Act); and
- c) DNB has agreed in writing with the award of the retention bonus.

For the avoidance of doubt it is noted that all laws and regulations in relation to variable remuneration should be complied with.

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## 4. REMUNERATION GOVERNANCE

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### 4.1. Remuneration Governance

In line with the various recommendations and guidelines issued by regulators, the annual remuneration process is coordinated by the Control Functions, consisting of (i) the Human Resources function (ii) the Risk Management function, (iii) the Compliance function and (iv) the Finance function. Additionally there is (v) a special role for the Internal Audit function.

The Control Functions prepare the RNC meeting in the light of Dutch Central Bank Principles on Sound Remuneration Policies. The various roles are described below.

On behalf of the RNC, the Human Resources function draws up the Remuneration Policy. The Human Resources function also coordinates the monitoring of the consistent application of the Remuneration Policy and evaluates its operation.

The Risk Management function annually assesses how the remuneration structure affects the risk profile of NIBC.

The Compliance function analyses how the remuneration structure affects NIBC's compliance with legislation, regulations and internal policies and safeguards an adequate compliance culture.

The Finance function provides relevant financial information as input for assessments and processes. Additionally the Internal Audit function will assess the remuneration process during the year and report its findings to the MB and SB in accordance with the Company's governance charters.

### 4.2. SB/RNC

The SB and RNC operate on the basis of a Charter in line with relevant legislation, regulations and NIBC's Articles of Association. In any event, the SB, based on recommendations prepared by the RNC, will be responsible for decisions with regard to (i) proposed amendments of the Remuneration Policy, (ii) individual remuneration decisions with regard to the MB, (iii) exceptions to agreed remuneration policies (iv) Malus and/or Claw Back as described under 3.5.4.

The RNC will draw up an annual Remuneration Report for approval by the SB, which will be published in NIBC's annual report as well as on NIBC's website.

### 4.3. Disclosure

NIBC shall ensure that the Remuneration Policy is disclosed and all other disclosure requirements from the various applicable laws and regulations are followed.

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**ANNEX OVERVIEW OF AMENDMENTS PER 1 JANUARY 2020**


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	Annual Salary 2019	3 yr average bonus (as a percentage - 20%)	Conversion factor	Conversion amount	Annual salary 31/12/2019 (converted)	Annual salary 2020	Adjustment 1/1/2020
CEO	845.708	169.142	0,68	115.016	960.724	987.912	2,83%
Member	615.060	123.012	0,68	83.648	698.708	718.482	2,83%