

# **The NEUFLIZE OBC GROUP**

## **Compensation Policy**

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**November 2020**

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## **FOREWORD**

The Neuflyze OBC Group's Compensation Policy is directly linked to the compensation policy of the ABN AMRO Group (Global Reward Policy) and follows the legal and regulatory framework in Europe and France.

This Policy applies to all Neuflyze OBC Group entities and employees.

Neuflyze OBC may update this Policy to take account of regulatory changes, market practices and decisions taken by ABN AMRO.

## **1. OBJECTIVES AND SCOPE**

### **1.1. Objectives of this Compensation Policy**

The Compensation Policy of the Neuflyze OBC Group is based on the compensation policy of the ABN AMRO Group. The purpose of this document is to set out the necessary and mandatory conditions, as well as the principles applicable to performance management and compensation, defined by the ABN AMRO Group and Neuflyze OBC in accordance with the various applicable laws.

This policy takes account of internal factors such as the organisation, objectives, values and long-term interests of the Neuflyze OBC Group in order to ensure that the policy is sustainable and responsible, and in line with the ABN AMRO Group's objectives in terms of sustainability, social engagement and the products and services provided to its clients.

This policy also sets out the rules applicable to staff ("identified staff") whose activities have a material impact on the risk profile of the ABN AMRO Group, as well as the Neuflyze OBC Group.

### **1.2. Scope**

This policy applies to all Neuflyze OBC Group employees. Any person working on behalf of the ABN AMRO Group or the Neuflyze OBC Group (tied agent or outsourced activity) is excluded from this scope. In order to ensure that the compensation paid to persons working on behalf of the ABN AMRO Group or the Neuflyze OBC Group does not encourage them to take excessive risks, there are specific policies that set out the framework applicable to such compensation.

## **2. GOVERNANCE OF THE COMPENSATION POLICY**

The Neuflyze OBC Group reviews the compensation policy every year to ensure that it complies with applicable regulations, as well as with the ABN AMRO Group's overall compensation policy.

The policy and its appendices are approved by the Neuflyze OBC's Supervisory Board on the recommendation of the Neuflyze OBC Group's Compensation Committee. All documents are made available on the HR intranet site once all Neuflyze OBC Group employees have been notified.

The company's Managing Board approves the company's compensation policy after consulting the Compliance Department. Neuflyze OBC Group's Supervisory Board is responsible for the day-to-day application of the compensation policy and for monitoring the compliance risks associated with this policy.

### **2.1. The Neuflyze OBC Group's Supervisory Board**

The Neuflyze OBC Group's Supervisory Board approves the compensation policy and is responsible for its maintenance and application. Any change to the compensation policy must be approved by the Supervisory Board in accordance with internal governance rules.

### **2.2. The Neuflyze OBC Group's Compensation Committee**

#### **2.2.1. Composition of the Neuflyze OBC Group's Compensation Committee**

The Compensation Committee is composed of three members of the Supervisory Board, at least two of whom are representatives of the main shareholder (ABN AMRO Group).

#### **2.2.2. Duties of the Neuflyze OBC Group's Compensation Committee**

The Neuflyze OBC Group's Compensation Committee is responsible for:

- analysing the compliance of the company's compensation policy for staff categories as defined by all applicable regulations to all the Neuflyze OBC Group's scopes,
- making recommendations concerning the components of compensation of members of the Neuflyze OBC Group's Managing Board and regulated staff categories,
- ensuring that compensation levels are consistent with the applicable regulatory ratios, as well as ensuring general compliance with the compensation policy,
- reporting on its work and submitting its recommendations to the Neuflyze OBC Group's Supervisory Board,
- revising and validating the list of employees within the "identified staff" category in accordance with the applicable regulations,
- revising and validating the compliance of the implementation of the policy by the Neuflyze OBC Group's various entities.

Each Neuflyze OBC Group subsidiary also has its own Compensation Committee (see the appendices to the Compensation Policy).

### **2.3. Technical Compensation Committee**

The Human Resources Department is responsible for auditing and monitoring the Neuflyze OBC Group's compensation policy, in conjunction with the Risk Department and the Finance Department through a body specially created for this purpose.

The Technical Compensation Committee is made up of representatives of the Human Resources, Risk, Financial, Internal Control, Compliance and Audit departments of the various entities within the Neuflyze OBC Group, or of Banque Neuflyze OBC where it operates on behalf of the Neuflyze OBC Group.

The role of the Committee is to:

- inform the "Control" functions of matters linked to the general policies to be presented to the Compensation Committee,
- ensure that the principles underlying the application of the compensation policy within the Neuflyze OBC Group comply with regulatory requirements,
- update the list of employees within the "identified staff" category in accordance with the various applicable laws,
- assess the compliance of the implementation of the policy by the various entities,
- coordinate the actions to be initiated at the various entities of the Neuflyze OBC Group,
- report on its work and submit its recommendations to the Neuflyze OBC Group's Supervisory Board.

### **2.4. The role of the "Control" functions**

As required by law, the "Control" functions review and issue an opinion on the Neuflyze OBC Group's compensation policy.

The "Control" functions comprise the functions within:

- the Neuflyze OBC Group's Risk Department
- the Neuflyze OBC Group's Compliance Department
- the Neuflyze OBC Group's Audit Department

### **3. PERFORMANCE MANAGEMENT**

The Neuflyze OBC Group's performance management system is based on the SMART (Specific, Measurable, Achievable, Realistic and Time-bound) method, which provides targets that are precisely identified and observable using indicators known to the employee.

In 2020, after consulting its Social and Economic Committee, the Neuflyze OBC Group introduced an employee assessment process that replicated the ABN AMRO Group's model, known as "Together & Better". Although the principles set out below remain valid, the targets are no longer weighted, and the mandatory end-of-year assessment is no longer rated (previously from 1 to 5) but is the subject of exhaustive commentary, accompanied by a general comment stating whether the employee's achievements over the past year are "above expectations", "in line with expectations" or "below expectations".

#### **3.1. Principles of individual targets**

Performance criteria are based on achievable targets that employees can directly and/or indirectly influence to a certain extent. The targets should not be set in such a way as to create an incentive to take excessive risks, or to sell products in an abusive or fraudulent manner, and should not give rise to behaviour or actions that are not in the best interests of our clients. The targets must be in line with the Neuflyze OBC Group's overall strategy, as well as its risk profile, values and long-term interests, including in particular the sustainability targets set by the ABN AMRO Group and to which the Neuflyze OBC Group adheres, in terms of social commitment or in terms of the products and services provided to our clients.

The achievement of these targets, set on a collaborative basis by the employee and their manager at the beginning of the performance period, will determine the employee's eligibility for variable compensation over that period. Any award of such forms of variable compensation is subject to the approval of the ABN AMRO Group's Managing Board and Supervisory Board, based on the recommendations of the Neuflyze OBC Group's Compensation Committee.

The individual targets of Neuflyze OBC Group employees are determined in accordance with the following principles:

- The employee's performance targets are structured so that there is a 50/50 balance between quantitative financial and non-financial targets and qualitative non-financial targets. These qualitative non-financial targets reflect the employee's compliance with the applicable rules, their fair treatment of clients, and the quality of service provided to clients. These targets seek to avoid any conflict of interest or incentive that may lead a person to favour their own interests or potentially those of their company over those of a client.
- Performance targets are linked to the performance of the employee, the unit/department for which the employee works and, where applicable, the results of the entity that employs the employee.
- Performance criteria are absolute (linked to the employee's own performance) and relative (compared to that of peers).
- Performance criteria also include one or more targets related to the risk appetite of the entity within the Neuflyze OBC Group, where relevant.
- The employee proposes targets related to performance, development and behaviour. These are reviewed by their manager, who makes any necessary changes and who finally validates them.
- The "House in order" principle must be applied by complying with all applicable rules and procedures.

The manager ensures consistency between the targets and the actions of the employee in question, in line with the fundamental principles of the ABN AMRO Group.

In principle, financial incentives, in particular performance-related incentives, outside the end-of-year process are not authorised. If, exceptionally, a financial incentive is considered, that incentive should first be cleared by ABN AMRO's control functions to ensure compliance and validated by ABN AMRO's Reward teams.

The role of the employee (or more generally the team they work in) and their impact on the Group's risk profile will be taken into account as part of the performance assessment. Control functions cannot be evaluated based on the performance of the scopes they control.

### **3.2. Setting annual targets**

Every year, as part of performance management, the Neuflyze OBC Group's Human Resources, Risk and Finance Departments, together with certain other ad hoc departments, prepare the framework of targets applicable to the Neuflyze OBC Group's various business activities.

In this respect:

- The Neuflyze OBC Group's Finance Department contributes to the definition of financial targets by ensuring the availability of key financial performance indicators for the Neuflyze OBC Group's various business activities.
- The Human Resources Department sets the general framework of targets, applicable by type of employee, in line with the principles issued by ABN AMRO. This general framework is reviewed by the Risk Department and the Compliance Department at a meeting of the Compensation Technical Committee.

### **3.3. Evaluation of risk management and compliance**

The Compliance Department and the Risk Department assess the Neuflyze OBC Group's business lines from a risk management and non-compliance perspective. In collaboration with the Human Resources Department, the Compliance Department defines the Compliance Gatekeeper framework, the mechanism used to set objectives for each employee based on their risk profile within the Neuflyze OBC Group, and which complies with applicable internal rules and policies.

Such assessments cover:

- a good level of attendance of mandatory training courses
- the appropriate application of internal policies and rules
- compliance with the Neuflyze OBC Group's Code of Conduct
- and for employees who are in direct contact with external clients, compliance with their obligations to clients as well as appropriate monitoring of client transactions.

The Compliance Department issues an opinion on how employees respond to these elements.

As for "Identified Staff" at the Global level, an additional Compliance Gatekeeper procedure is applied by the ABN AMRO Group Audit, Risk and Compliance Departments.

The results of the Compliance Gatekeeper procedure may have an impact on the employee's overall assessment and consequently on variable compensation, resulting in a reduction or even the cancellation of the amount awarded.



## **4. COMPENSATION GUIDELINES**

The Neulize OBC Group's compensation policy, although consistent with that of the ABN AMRO Group (the Global Reward Policy), has some specific features associated with the French regulatory framework.

### **4.1. Regulatory framework**

The Neulize OBC Group applies compensation policies and practices that take account of the interests of all the company's clients, in order to ensure that clients are treated fairly and to avoid their interests being adversely affected by the compensation practices adopted by the company in the short, medium or long term. The policy is prepared to avoid creating any conflicts of interest or incentives that may lead the person in question to give priority to their own interests, or that of the company, over the potential interests of a client.

Neulize OBC Group's compensation policy complies with the regulatory framework applicable to each of the Group's entities, which includes:

- The European on Regulatory Capital Directive (CRD IV), applicable to Banque Neulize OBC
- The Alternative Investment Fund Managers Directive (AIFMD) and the Directive on certain undertakings for collective investment in transferable securities (UCITS) applicable to the Neulize OBC Group's asset management company
- The Solvency II Directive, applicable to the Neulize OBC Group's insurance company
- The European regulatory framework also applies through the guidelines of the European Banking Authority, as well as the regulations and directives applicable to our main shareholder, the ABN AMRO Group.

Furthermore, this policy also complies with legal provisions (including in particular gender equality laws) and contractual provisions applicable in France as well as the practices in force within the Neulize OBC Group.

More specifically, the following collective bargaining agreements apply:

- The Bank's Collective Bargaining Agreement for Banque Neulize OBC and ABN AMRO Investment Solutions
- The National Insurance Companies Collective Bargaining Agreement for Neulize Vie.

### **4.2. Categorisation of components of compensation**

Under the various regulations that apply to the ABN AMRO Group, all components of compensation must be strictly categorised as fixed or variable compensation. This classification must be based on legal grounds and be supported by the necessary documentation. This review must be carried out annually, in conjunction with the ABN AMRO Reward teams.

### **4.3. Compensation studies**

The Neulize OBC Group complies with the Global Benchmarking Guidelines as they apply to the ABN AMRO Group. Neulize OBC Group's compensation is the subject of regular market research so that it can be compared with external practices, particularly those of its competitors. To date, these studies, some of which may be carried out jointly with the ABN AMRO Group, are carried out periodically and may cover some or all of the existing business lines within the Neulize OBC Group.

While the results of these studies may be used to measure and/or compare a certain number of components of compensation (compensation structure, levels of the various components of compensation, other benefits, etc.), they do not result in any automated decision-making and only provide support for this decision.

## 5. FIXED COMPENSATION

The regulatory framework includes strict conditions for determining whether components of compensation should be considered fixed or variable. Under these conditions, a component of compensation will be considered fixed only if all the following conditions are met:

- Predetermined (i.e. agreed in advance)
- Non-discretionary
- Transparent for all employees
- Permanent (over the reference period)
- Non-revocable
- the payment of the component cannot be reduced, suspended or cancelled
- the payment of the component does not encourage risk-taking, and
- the payment of the component is not based on the performance level

If a component of compensation does not meet these conditions, it will be considered to be variable compensation.

### 5.1. Components of fixed compensation

#### 5.1.1. Base salary

Base salary is the total contractual annual fixed amount of compensation paid directly, or indirectly and on its behalf, by the Neuflyze OBC Group in exchange for professional services provided by employees of the Neuflyze OBC Group.

Base salary levels should reflect the professional experience and level of responsibility set out in the employee's job description.

- The base salary level of ABN AMRO Management Group members is positioned to be slightly below the relevant market median.
- The base salary level for employees is generally around the median for the relevant market.

#### 5.1.2. Allowances and compensation

Individual allowances and compensation (such as for overtime, etc.) are governed by the collective bargaining agreement applicable at the Neuflyze OBC Group entities. Allowances and compensation are categorised as fixed compensation if:

- they are specified in a Neuflyze OBC policy
- payments are mandatory under the national legal framework
- they are based on a policy

If the allowances or compensation are awarded on an individual basis, linked to a position, role or organisational responsibility, they are categorised as fixed compensation if the following conditions below are met (in addition to the conditions set out in part 5 "fixed compensation"):

- the allowance or compensation is awarded in connection with an organisational position, role or responsibility
- the allowance or compensation must not be awarded as a result of significant changes being made to the organisational position, role or responsibility
- the allowance or compensation is not dependent on any other factor other than carrying out a specific function
- a comparable allowance or compensation is awarded to another employee with the same organisational role and in a comparable situation

To the extent possible, such allowances or compensation should not be awarded.

### 5.1.3. Benefits

Benefits are generally specific to the countries to which employees' employment contracts are attached. The ABN AMRO Group awards benefits where justified by local market practices, and in order to remain competitive locally.

The benefits qualify as fixed compensation.

#### **Employee benefits**

Employee benefits vary by country and local market practices and may include, but are not limited to:

- Short-term benefits: medical insurance, death and short-term disability insurance, days off, continued payment of salary during sick leave, travel-related benefits, overtime, etc.
- Long-term benefits: pension scheme, life insurance, retirement package, long-term disability insurance, long service bonus, retiree benefits, mortgage-related benefits, etc.

A comprehensive list of benefits is available from your HR manager.

#### **General principles**

The following principles apply:

- employee benefits must be aligned with the ABN AMRO Group's strategy and long-term interests, objectives and values
- where possible and in order to better control the associated costs and risks, employee benefits must be allocated to employees on a defined contribution basis, where permitted by the regulatory and legal framework
- in principle, the ABN AMRO Group does not award benefits on a discretionary basis (other than benefits under a specific plan or employee benefits) as part of an employee's overall package
- Where applicable, non-financial benefits in any form (i.e. training) will be provided in accordance with the principles governing compensation.
- short- and long-term benefits must be provided at the market median level, based on the same comparisons as those used for basic salaries
- insurance (life insurance, disability insurance, etc.) is provided through global agreements signed by the ABN AMRO Group for all its entities, unless deemed inappropriate. In general, the ABN AMRO Group does not itself take out insurance against the risks associated with employee benefits where they are material.
- in principle, the Neulize OBC Group does not offer a discretionary pension scheme. If such a scheme were to be provided:
  - in the event of retirement, amounts under discretionary pension schemes would be retained for five years in the form of cash instruments, and the penalty and clawback procedures would apply
  - if the employee were to leave the ABN AMRO Group prior to retirement, amounts under the discretionary pension scheme would not be paid for a period of five years, and would be subject to a performance assessment and ex post risk adjustment before being paid

The ABN AMRO Group and the Neulize OBC Group aim to provide a healthy and safe working environment for all employees, and to train and inform them about working conditions that are beneficial for their health.

## **5.2. Collective and individual reviews of fixed compensation**

### 5.2.1. Collective reviews

Each year, as part of the Mandatory Annual Negotiations required under French law, and in support of the collective statistical data provided, discussions are held between the Neuflyze OBC Group's Employee Representative Bodies and its Human Resources Department to negotiate the possible introduction of collective measures to increase the compensation of some or all of the Neuflyze OBC Group's employees.

#### 5.2.2. Individual reviews

During the first quarter of each year, the individual situation of each Neuflyze OBC Group employee is reviewed, coordinated by the Human Resources Department and with the support of Management and Executive Management, in order to consider whether to increase fixed compensation on an individual basis.

Based on the various information provided by the Finance and Risk departments, the Neuflyze OBC Group's Managing Board, with the support of the Human Resources department, draws up and submits the total annual fixed compensation budget to the ABN AMRO Group for approval.

This review of the situation is based not only on Management's recommendations, but also on all available decision-making tools, in particular compensation studies. The Human Resources department ensures that this review is coherent.

Any relevant increase in the levels of fixed compensation is subject to the approvals as set out in the governance matrix (Global Reward Matrix, see appendix).

## 6. VARIABLE COMPENSATION

The allocation of variable compensation allows the Neuflyze OBC Group to reward performance that makes a real and lasting contribution to its strategy. The level of variable compensation must prevent staff from taking risks that are disproportionate to the Neuflyze OBC Group's business model, particularly in terms of sustainability, in line with the objectives set within the ABN AMRO Group, to which the Neuflyze OBC Group fully adheres, and reduce the appetite for risks that are aimed solely at making short-term gains.

Variable compensation, if offered, must be at the median level of the relevant market. For performance significantly above expectations, the combination of fixed and variable compensation may be above the relevant market median.

Under these regulations and guidelines, a balance between the elements of fixed and variable compensation must be maintained at all times, so that the compensation structure does not favour the interests of the company or the persons in question to the detriment of those of clients.

### 6.1. Types of variable compensation

Within the Neuflyze OBC Group and its entities, various forms of variable compensation may be paid:

#### 6.1.1. Discretionary variable compensation

Employees under permanent contracts are eligible for discretionary variable compensation if the following conditions are met:

- the employee assessment has been carried out and formally recorded in the dedicated HR system, and includes a general comment from the manager such as “performance above expectations” or “performance in line with expectations”. The general comment from the manager “performance below expectations” does not entitle the employee to variable compensation.
- The employee worked for more than three months during the year of performance and is employed on 31 December of the year of performance.
- The employee has not been flagged as “red” by the Compliance Gatekeeper.

The allocation of variable compensation is a discretionary process managed by the management line, and also depends on the total budget allocated to the entity or business line.

#### 6.1.2. Performance bonus

Members of Management and the portfolio managers at Neuflyze OBC’s asset management subsidiary are also eligible for variable compensation known as a “performance bonus”. This type of variable component constitutes compensation awarded based on the performance fees earned by the management company and is potentially payable to the asset managers and members of the Managing Board of the Neuflyze OBC Group’s asset management subsidiary. The conditions of payment are strictly defined through plans approved by the Neuflyze OBC Group and the ABN AMRO Group.

#### 6.1.3. Statutory and discretionary profit-sharing schemes

Employees who hold an employment contract with a Neuflyze OBC Group entity and have worked for more than three months are eligible for the statutory and discretionary profit-sharing schemes.

Within the Neuflyze OBC Group, the practice of statutory and discretionary profit-sharing is governed by company agreements and is not modified by the Dutch Law on Financial Supervision. Similarly, the conditions for calculating and paying statutory and discretionary profit-sharing are unmodified by this Law.

All the components of variable compensation referred to above may not, in aggregate, exceed the maximum variable compensation applicable.

## 6.2. Maximum variable compensation

The Dutch law on financial supervision (the “WFT Act”) applies in addition to the European CRD IV directive. This law, applicable to all foreign subsidiaries of the ABN AMRO Group, imposes a cap on the variable compensation awarded in a performance year equal to 100% of the actual fixed compensation paid to employees who work in the European Economic Area and outside the Netherlands. For employees in “Control” functions, the maximum variable compensation ratio is set at 90%.

The thresholds referred to above must be based on the actual fixed compensation and the variable compensation awarded in respect of the year of performance in question. The compensation governance matrix must always be taken into account when variable compensation is being awarded to the control functions.

## 6.3. Impacts arising from changes in employment

**In the event of termination or suspension of the employment contract:** if an employee's employment contract ends before the date of payment of the variable compensation due to the employee's death, illness, invalidity, dismissal or (early) retirement, the employee may be awarded variable compensation calculated in proportion to the length of time they worked during the year, provided that the period worked exceeds three months and provided that the defined targets are achieved. If the employee leaves the company during the year of performance for a reason other than those set out above, the employee loses their entitlement to variable compensation, unless otherwise provided under local laws or applicable agreements.

**In the event of illness:** the variable compensation is adjusted accordingly in the event of illness lasting more than six months during the year of performance.

For employees recruited during the reference year, one of the eligibility conditions for variable compensation is that they must have worked for at least three months during the year in question.

## 6.4. General principles applicable to variable compensation

The following principles apply to the Neufelize OBC Group's employees:

- There must be a clear link between variable compensation and performance. In the event of underperformance, no variable compensation must be paid, subject to applicable regulations and laws.
- During the year-end process, the amounts of variable compensation proposed are analysed in light of the results of the ABN AMRO Group and of the commercial business lines, as well as the risk appetite results.
- Before the ABN AMRO Group Managing Board and Supervisory Board decide on the total amount allocated to variable compensation, ex-ante risk analysis is carried out by the ABN AMRO Group, using quantitative and collective mechanisms (such as solvency checks). Changes may be made to (deferred) components of variable compensation based on the results of these assessments and as part of the application of this Policy.
- Guaranteed variable compensation is not consistent with the principles of sound risk management and is therefore not authorised by the Neufelize OBC Group. The only exception to this principle is for sign-on bonuses, as described in 7.2.
- All employees of the Neufelize OBC Group are prohibited from using personal arbitrage strategies to counter the effects of the compensation policy as described in this document and its appendices.
- All duties, social security contributions and other taxes relating to variable compensation, or more specifically relating to its award, acquisition or payment, shall be borne solely by the employee.

- The clawback and penalty principle applies to some or all of the variable compensation of a (former) employee. In the exceptional scenarios set out below, some or all of the variable compensation shall be subject to a clawback or penalty if:
  - The employee has failed to meet appropriate standards of competence and behaviour (e.g. breaches of internal procedures, the code of conduct, applicable laws and regulations) and/or
  - The employee has behaved in a way that has resulted in a significant deterioration in the financial health of ABN AMRO or the Neufelize OBC Group, and/or
  - The award, calculation or payment of variable compensation was made on the basis of incorrect data, incorrect information relating to the achievement of these criteria and/or payment conditions
- The payment of variable compensation in one year does not entitle the employee to the payment of variable compensation in subsequent years.
- With the exception of employees in certain categories of staff to whom specific regulations apply, the variable compensation is paid with the salary for March of the following year. Employees in regulated categories of staff are subject to stricter rules on the management of variable compensation, such as those set out in the appendices to this policy and in the Variable Compensation Plan applicable to all staff identified by the ABN AMRO Group. Where applicable, stricter rules derived from regulations or guidance may apply to certain categories of staff, such as persons who decide on internal policies, and ABN AMRO takes those rules into account where necessary.

## **7. EXCEPTIONAL VARIABLE COMPENSATION COMPONENTS**

Exceptional variable compensation may only be awarded and paid in accordance with the applicable conditions and procedures.

### **7.1. Retention bonuses**

A retention bonus may only be awarded if it is absolutely necessary to facilitate the retention by the Neuflyze OBC Group of key employees (i.e. a Management employee or an employee in a sales or operational position with specific skills).

The following conditions also apply:

- Retention bonuses may not be paid in a normal working environment. They may only be paid in exceptional strategic situations involving a transition period resulting in significant structural changes (mergers, demergers and acquisitions), and where a retention bonus is deemed critical and necessary.
- Retention bonuses must only be used to retain key employees.
- The payment of a retention bonus must be conditional on minimum and reasonable performance conditions.
- A retention bonus is not subject to performance targets associated with the execution of a project.
- A retention bonus is considered to be a component of variable compensation and is therefore subject to the cap on variable compensation.
- The payment of the retention bonus is taken into account when calculating the maximum variable compensation in the performance year in which it is paid.
- The retention bonus is subject to the prior written approval of the ABN AMRO Group's Managing Board and Supervisory Board. In the case of ABN AMRO Group subsidiaries, a retention bonus may be approved by the appropriate Compensation and Supervisory Committees where that bonus does not relate to a member of staff identified by the ABN AMRO Group. Reward must nevertheless be involved in this process.
- The payment of the retention bonus must be approved in advance by the Dutch supervisory authorities if the payment causes the cap on variable compensation to be exceeded.
- The allocation and payment of the retention bonus must comply with the principles governing compensation and the rules set out in the Variable Compensation Plan applicable to the staff member identified by the ABN AMRO Group, particularly in terms of clawback and penalties.
- The payment of a retention bonus is taken into account in calculating total compensation, with regard to the quantitative Regulatory Technical Standards (RTS) criteria for the identified staff member.

### **7.2. Sign-on bonuses**

In principle, a sign-on bonus may only be awarded if it is absolutely necessary to facilitate the recruitment of key employees. The following minimum requirements apply to sign-on bonuses. A sign-on bonus:

- 1. is restricted to employees who join the ABN AMRO group for the first time;
- 2. is awarded before the start of the first performance period;
- 3. may only be awarded where the company's capital position is sound;
- 4. is paid during the first year of service;
- 5. is categorised as guaranteed variable compensation;
- 6. is not subject to the maximum percentages set out in paragraph 2.3.2 if the conditions are met;
- 7. must not exceed 100% of the base salary;
- 8. is not performance-related;
- 9. may be paid in non-deferred cash.



### **7.3. Buyout bonuses**

A buyout bonus (i.e. compensation for unpaid components of variable compensation awarded by a former employer) may only be granted where absolutely necessary. The following minimum requirements apply to buy-out bonuses. A buy-out bonus:

- 1. is restricted to new employees;
- 2. is awarded before the start of the first performance period;
- 3. may only be awarded where the company's capital position is sound;
- 4. is paid in accordance with the principles governing compensation;
- 5. is categorised as variable compensation in the year in which it is awarded. The aggregate amount of a buy-out bonus and any other variable compensation awarded to an individual is capped at the maximum percentages set out in paragraph 6.2;
- 6. is paid to employees who do not fall within the category of global identified staff, and is subject to a three-year deferral period linked to performance criteria. "Good/bad leaver" principles also apply.
- 7. is settled and paid in accordance with the requirements set out in the Variable Compensation Plan for identified staff.

### **7.4. Severance pay**

Severance payments are subject to the following conditions:

- Payments linked to the early termination of an employment contract by the employer must reflect performance over time and must be designed in such a way that failure, or poor behaviour, is not rewarded. The award and payment must comply with the principles in force and with local employment law practices and applicable laws and market practices, and must not exceed them.
- Severance payments may not be made to an employee who has unilaterally chosen to terminate their employment contract in a manner permitted by applicable laws and regulations. Severance payments may also not be made if the decision is based on acts or omissions by the employee or in circumstances resulting in the immediate termination of the employee's employment contract.
- Severance payments are categorised as fixed or variable compensation, depending on the method used to calculate their amount. As a general rule, severance payments calculated using a formula prescribed by local law are categorised as fixed compensation. In other cases, an assessment must be carried out to determine whether these amounts should be categorised as fixed or variable. If they vary, these amounts are subject to the applicable maximum levels for variable compensation.
- All types of termination does not necessarily result in the "full" award of the applicable severance payments. These must also be awarded and paid in accordance with the Global Labour Affairs policy available from your HR Manager.

## **8. EXPATRIATE EMPLOYEES**

Some employees work abroad as expatriates.

The following variable compensation rules apply to expatriates:

- fixed salary, as defined in the country of departure, constitutes the basis for calculating the maximum applicable variable compensation
- the relevant cap on variable compensation is the cap applicable in the country in which the expatriate spent more than 50% of their time during the working year, or in other words:
  - (average) 20% of fixed compensation for employees working in the Netherlands
  - 100% of fixed compensation for employees working outside the Netherlands but within the European Economic Area
  - 100% of fixed compensation, or 200% if agreed by the shareholder, for employees working outside the European Economic Area
- certain benefits granted to expatriates may be considered to be fixed compensation if these benefits are defined pursuant to the applicable regulations.

## 9. IDENTIFIED STAFF

The European Banking Authority (EBA) has published Regulatory Technical Standards (RTS), March 2014 C (2014) 1332 final) containing criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile. These employees are defined as "Identified Staff". Employees may become Identified Staff based on qualitative criteria (position, role), and/or quantitative criteria (income).

### 9.1. Staff identified by the ABN AMRO Group

#### 9.1.1. Criteria

##### *Qualitative criteria*

A review of the applicable criteria defined by the principles governing compensation, and the additional criteria, as well as the way in which they are implemented is available in *Appendix IV Status of identified staff*

##### *Quantitative criteria*

- employees who received in respect of the previous year:
  - total compensation of more than €500,000
  - variable compensation of more than €170,000
  - total compensation equal to or greater than the lowest total compensation awarded to a member of Senior Management
- employees who were among the 0.3% of employees who received the highest compensation in the previous year
- employees who received total compensation equal to or greater than the compensation received by persons who met the above criteria. Employees who do not belong to a material operating unit are not classified as identified staff. In other cases, an internal analysis must be carried out.

##### *Components of compensation taken into account*

The categorisation of identified staff based on quantitative elements is based on total income. This income includes the employee's base annual salary as well as contributions to any supplementary pension schemes made during the previous financial year, or any retention bonuses paid.

In determining variable compensation, account is taken of the variable compensation awarded in respect of the previous financial year. It excludes any sign-on bonuses, buy-out bonuses or severance payments (for the variable component). Retention bonuses are not specifically taken into account in calculating the €170k internal threshold.

### 9.1.2. Identification process

#### *Annual review process*

The identification criteria for identified staff are reviewed annually, and the list of identified staff is updated accordingly. The Supervisory Board is responsible for reviewing and validating the applicable criteria and the list of identified staff each year. The employees in question are informed of their status before the start of the year, unless the status is the result of a change that occurred during the year. Staff identified as a result of exceeding the internal variable compensation threshold of €170,000 are informed during the first quarter following the performance year in question.

#### *Date on which identified staff status applies*

For the purposes of the qualitative criteria, employees become identified staff on the date on which the criteria that causes them to qualify for this status are met. An exception is made for employees who become identified staff as a result of acting as temporary replacements: in such cases, they become identified staff once they have held the position for at least three months. These employees will become identified staff at the end of this three-month period.

For the purposes of the quantitative criteria, employee will become identified staff in the year following the year in which the defined thresholds are exceeded. There is an exception: if the €170,000 variable compensation threshold is exceeded, employee will become identified staff retroactively from 1 January of the year of performance in which they were awarded the variable compensation in question.

#### *Change of status during the year*

A change in an employee's position during the year may result in a change in status. It is the responsibility of local management to inform the Reward teams as soon as possible in such circumstances.

If such a change in status occurs, the annual targets of those employees are required to be updated so that the applicable target framework (for identified staff, or other employees) is complied with at all times.

Appendix 4 to this Policy describes the various applicable cases in detail.

#### *Integrity Sensitive Positions*

Where employees become identified staff on the basis of qualitative criteria, their positions are then defined as integrity sensitive. This causes the Integrity Sensitive Positions (ISP) procedure to apply. This policy also applies to local identified staff.

### 9.1.3. Variable compensation

Any variable component of compensation (with the exception of sign-on bonuses and the variable component of severance pay) awarded to identified staff under the overall provisions will be paid in accordance with the

principles defined in the Variable Compensation Plan. The caps on variable compensation set out in section 6.2 of this Policy apply to identified staff. Variable compensation payable to expatriate identified staff is awarded in the currency of his/her country of origin and paid, in accordance with the principles set out in the Variable Compensation Plan, in the currency of the country in respect of which the variable compensation was awarded.

#### 9.1.4. Criteria used to set targets and assess performance

All identified staff are subject to a specific framework of performance objectives, defined by the ABN AMRO Group's Managing Board and Supervisory Board.

Before any variable compensation is awarded on the basis of performance criteria, a specific Compliance Gatekeeper procedure involving all managers of the central control functions (Audit, Risk and Compliance) is applied by reference to various factors relating to the employee's behaviour.

The payment of discretionary variable compensation is subject to the rules on the deferral of payments, set out in the appendices to this Policy. When a deferred payment becomes unconditional, the Control functions (Audit, Risk and Compliance) carry out an ex-post risk analysis to determine whether any of the deferred components that have not yet been paid should be clawed back.

## 9.2. **Staff identified by Neuflyze OBC**

As required by the various regulations in force and in accordance with rules of sound management, Neuflyze OBC draws up a list of the employees who fall within the regulated groups and who are subject to specific rules on the award and payment of variable compensation.

The Appendices to this Compensation Policy described these various groups in detail, as well as the related rules.

**APPENDIX 1: APPENDIX APPLICABLE TO IDENTIFIED STAFF AT NEUFLIZE OBC**

**APPENDIX 2: APPENDIX APPLICABLE TO IDENTIFIED STAFF AT ABN AMRO INVESTMENT SOLUTIONS**

**APPENDIX 3: APPENDIX APPLICABLE TO IDENTIFIED STAFF AT NEUFLIZE VIE**

**APPENDIX 4: IDENTIFIED STAFF STATUS**

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