

# 2019

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Group

Remuneration

Policy and ASR

Remuneration

Policy

In the event of any discrepancy or inconsistency between the Dutch and English version of the Group Remuneration Policy and the ASR Remuneration Policy, the Dutch version shall prevail.

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# 1 Introduction

## 1.1 Scope

This policy is applicable to all entities belonging to ASR Group<sup>1</sup> and comprises a mandatory framework and policy lines within which the group companies of ASR Nederland N.V. are required to apply the remuneration policy. This policy sets out the duties and responsibilities arising from the remuneration regulations for ASR Nederland N.V. as group head, as well as the duties and responsibilities of the group companies in relation to the variable remuneration policy at their level. ASR Nederland N.V. ensures that this policy is in accordance with the group's risk management strategies.

The ASR Group consists of various financial undertakings and can be subdivided into two subgroups. The first concerns companies that apply their own pay- and-benefits schemes. These are the companies listed in **Appendix I ('Appendix I companies')**. The second concerns companies that apply the harmonised pay-and-benefits schemes of ASR Nederland N.V. These are the companies listed in **Appendix II ('Appendix II companies')**.

ASR Nederland N.V. is entirely free to classify or reclassify companies as an Appendix I or an Appendix II company for the purposes of this policy.

### Group Remuneration Policy and ASR Remuneration Policy

This policy does not comprise an individual remuneration policy for each group entity, but sets adequate basic conditions at group level, based on legislation and regulations, for the entire ASR Group by means of the **Group Remuneration Policy** to ensure the adequate control of risks.

Appendix I companies can pursue their own remuneration policy and their own pay-and-benefit schemes within the limits of this **Group Remuneration Policy**.

In the case of Appendix II companies, the **Group Remuneration Policy** and the additional **ASR Remuneration Policy**, as set out in Chapter 5, jointly make up the full remuneration policy.

Both the **Group Remuneration Policy** and the **ASR Remuneration Policy** are consistently applicable to all natural persons working under the responsibility of ASR Nederland N.V. and falling within the scope of the applicable policy.

The remuneration policy as referred to in Section 135, Book 2 of the Netherlands Civil Code regarding executive and supervisory directors of ASR Nederland N.V. forms part of the **Group Remuneration Policy a.s.r** and the **ASR Remuneration Policy**.

## 1.2 Outline

The ASR Remuneration policy elaborates on the Group Remuneration Policy. Where this document refers to 'remuneration policy', this refers to both the Group Remuneration Policy and the ASR Remuneration Policy, unless explicitly stated otherwise.

The following abbreviations and acronyms are used in this document.

- AGM: Annual General Meeting of Shareholders (of ASR Nederland N.V., unless explicitly stated otherwise);
- EB: Executive Board (of ASR Nederland N.V., unless explicitly stated otherwise);
- SB: Supervisory Board (of ASR Nederland N.V., unless explicitly stated otherwise);
- Remuneration Committee: the Supervisory Board's remuneration committee

<sup>1</sup> Definition of ASR Group: (i) a legal entity in which ASR Nederland N.V. can directly or indirectly exercise more than half of the voting rights in the AGM or can appoint or dismiss more than half of the executive or supervisory directors (subsidiary as referred to in Section 24a, Book 2 of the Netherlands Civil Code as well as sub-subsidiaries of ASR Nederland N.V.) (ii) all legal entities and companies with which ASR Nederland N.V. is affiliated in a group (group company as referred to in Section 24b, Book 2 of the Netherlands Civil Code) and (iii) all legal entities forming part of the consolidated supervision to which ASR Nederland N.V. is subject.

- Selection and Appointment Committee: the Supervisory Board's selection and appointment committee;
- ARC Committee: the Supervisory Board's Audit and Risk Committee.

## 1.3 Principles

The principles followed for drafting, adopting, applying and enforcing the Group Remuneration Policy are described below.

1. HR policy:
  - a. The remuneration policy strikes a balance between trust in intrinsic motivation on the one hand and agreement on clear targets and assessment of performance on those targets on the other;
  - b. The total pay-and-benefits package allows the company to compete in the labour market and to attract and retain competent people.
2. Sound remuneration policy:
  - a. The remuneration policy, including the pension policy, ties in with the corporate culture and strategy, objectives, values and long-term interests of the company and its stakeholders. Any changes in strategy, objectives, values and long-term interests are taken into account when updating the remuneration policy;
  - b. The remuneration policy is ethical, sound and sustainable, in line with the company's risk appetite, risk management strategy and risk profile, contributes to robust and effective risk management, and does not encourage the taking of more risks than is acceptable to the business;
  - c. The remuneration policy has been designed such that allowance is made for the internal workings of the company, its group companies and the nature, scale and complexity of the risks attaching to the business;
  - d. The remuneration policy does not restrict the company's scope to maintain and strengthen its capital base as well as its robust regulatory capital, solvency margin and/or own funds;
  - e. Variable remuneration is not paid out if this would lead to a situation where the capital base, regulatory capital or solvency margin is no longer sound;
  - f. The remuneration, including the use of penalty and claw-back arrangements, is determined in a manner that is consistent with a conservative policy and is in line with the remuneration policy and in conformity with the ECB Letter to Banks concerning the capital requirements for a prudent dividend and remuneration policy.
3. Protection of customers and safeguarding of integrity and long-term enterprise value:
  - a. The remuneration policy encourages employees to act in accordance with the company's long-term interests;
  - b. The remuneration policy takes account of the rights and interests of consumers and is designed to ensure that consumers, customers and participants are treated in a careful manner and that their interests are not harmed in the short, medium and long term;
  - c. Performances delivered by employees and by the company itself are measured based on both financial and non-financial indicators;
  - d. The remuneration policy and remuneration practices do not contain any incentives that might prompt individuals to put their own interests before that of the company or to induce them to recommend a specific financial instrument to a customer while another financial instrument could be offered that better suits the needs of the customer in question;
  - e. The remuneration policy does not encourage employees to take excessive risks;
  - f. Failing executive directors, supervisory directors and employees are not rewarded;
  - g. The remuneration policy seeks to prevent conflicts of interest and encourages sound entrepreneurship and the fair treatment of customers;
  - h. The company does not apply constructions or methods that facilitate the evasion of the remuneration policy or the relevant legislation and regulations;
  - i. Employees are expected not to make use of personal hedging strategies or of any insurance policies linked to remuneration and liability to undermine the risk management effects embedded in their pay-and-benefits packages.
4. Transparency:
  - a. The design, governance and methodology of the remuneration policy are clear, transparent and applicable to all employees.
5. Compliance:
  - a. The remuneration policy is compliant with prevailing national and international legislation and regulations (see also Section 1.4). It is evaluated periodically and modified, if necessary, to ensure compliance with new legislation and regulations or market standards;
  - b. The compliance of the remuneration policy and the related procedures with the relevant rules and regulations is monitored at least once a year by a centralised and independent internal body.

## 1.4 Statutory framework and supervision

The Group Remuneration Policy complies with the relevant legal requirements and self-regulation codes that are applicable to the ASR Group (the 'Remuneration Regulations'). At the time of the publication of this version, these Remuneration Regulations include regulations regarding remuneration policy taken from the following sources.

- **Dutch Restrained Remuneration Regulation 2017 (Rbb 2017):** Dutch Restrained Remuneration Regulation 2014 (Regeling Beheerst Beloningsbeleid 2014);
- **Dutch Financial Undertakings (Remuneration Policy) Act (Dutch acronym: Wbfo):** Dutch Financial Undertakings (Remuneration Policy) Act (Wet beloningsbeleid financiële ondernemingen), as contained in Section 1:111-129 of the Dutch Financial Supervision Act;
- **Book 2 of the Netherlands Civil Code;**
- **CRD IV and CRR:** The fourth Capital Requirements Directive (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation (EU) No 575/2013);
- **RTS on Identified Staff and RTS on Instruments:** delegated regulations supplementing CRD IV with regard to regulatory technical standards related to the selection of identified staff (Commission Delegated Regulation (EU) No 604/2014) and the use of instruments for the purpose of variable remuneration (Commission Delegated Regulation (EU) No 527/2014);
- **EBA Guidelines:** European Banking Authority guidelines concerning a controlled remuneration policy under CRD IV and the CRR (EBA/GL/2015/22);
- **EBA Guidelines for sales staff:** concerns the remuneration policy and the remuneration practices relating to the sale and provision of retail banking products and services (EBA/GL/2016/06);
- **Solvency II Directive and Regulation:** Solvency II (Directive 2009/138/EC) and Solvency II Delegated Regulation (Commission Delegated Regulation (EU) 2015/35);
- **EIOPA Guidelines:** guidelines on the system of governance under the Solvency II Directive (EIOPA-BoS-14/253 NL) and on reporting and public disclosure (EIOPA-BoS-15/109 NL) issued by the European Insurance and Occupational Pensions Authority;
- **MiFID II Directive:** Directive 2014/65/EU of 15 May 2014 concerning markets for financial instruments and to amend Directive 2002/92/EC and Directive 2011/61/EU (recast) (OJEU 2014, L173/349);
- **MiFID II delegated regulation:** (EU) 2017/565 (EU) 2017/565 of the Committee of 25 April 2016 containing a supplementation of Directive 2014/65/EU of the European Parliament and the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- **ESMA – MiFID guidelines:** the remuneration policy and remuneration practices guidelines (MiFID) (3 June 2013/ESMA/2013/606);
- **AIFM Directive:** Directive on Alternative Investment Fund Managers (Directive 2011/61/EU);
- **ESMA – AIFM guidelines:** guidelines on sound remuneration policies under the AIFM Directive published by the European Securities and Markets Authority;
- **Dutch Insurance Code (Governance Principles for Insurers) and Dutch Banking Code:** Dutch self-regulation codes;
- **CB Dividend Recommendation:** recommendation of the ECB of 13 December 2016 on dividend distribution policies (ECB/2016/44);
- **ECB Letter to Banks:** letter of the ECB of 13 December 2016 on variable remuneration policy.

The ASR Group includes a number of authorised entities, and it is subject to various group-wide and other supervisory regimes regarding remuneration policy imposed by the regulators, the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM). In the context of this group supervision, the relevant regulators monitor the ASR Group's compliance with the Remuneration Regulations.

In addition to the statutory framework referred to above, the **Dutch Executives' Pay (Standards) Act (Dutch acronym: WNT)** is applicable to the ASR Group's health insurance business (ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V.).

Finally, ASR Nederland N.V. adheres to the **Corporate Governance Code** (the Code of 8 December 2016, 'the Code') and, as a listed company, is subject to the International Financial Reporting Standards (**IFRS**) (consolidated financial statements). IFRS prescribes the disclosure of information on the remuneration (at aggregated level) of 'key management personnel' – including executive directors – in the consolidated financial statements and notes. The Code requires the disclosure and clarification of the remuneration of the executive directors of ASR Nederland N.V. in the management report (the 'remuneration report'), which is part of the Annual Report.

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## 2 Specific groups of employees

### 2.1 Introduction

The statutory and regulatory framework (Section 1.4) requires that additional rules on remuneration apply to specific groups of employees. Moreover, a partially differentiated approach is in keeping with the principles of a prudent, restrained and sustainable remuneration policy that contributes to robust and effective risk management, with due consideration being given to the internal organisation and activities. There may be some overlap between groups of employees.

### 2.2 Outline

This chapter describes the specific groups of employees that can be identified in the context of the remuneration policy.

### 2.3 All employees

Unless stated otherwise, the regulations contained in this remuneration policy apply to all employees working under the responsibility of the ASR Group (ASR Nederland N.V. (including the Appendix II companies) and the Appendix I companies).

The ASR Group uses other categorisation systems in addition to the categorisation of groups of employees for the purposes of the remuneration policy. Employees may, for instance, be categorised by position and by salary group for the purposes of pay and benefits.

### 2.4 Identified staff

Identified staff are employees or categories of employees whose duties can have a material impact on the company's risk profile. These are employees who are senior management, risk takers, staff engaged in control functions and employees who can have a material impact on the company's risk profile and whose total remuneration puts them in the same remuneration bracket as the aforementioned employees. Owing to their potential impact on the risk profile, identified staff are subject to a number of additional requirements and rules on remuneration to enable the impact of their duties on the risk profile to be monitored and controlled.

The ASR Group uses the selection rules set out in Appendix V in order to select identified staff. These selection rules were drawn up in accordance with the legal and technical requirements that are applicable to the ASR Group's various group companies<sup>1</sup>.

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<sup>1</sup> EBA criteria regarding identified staff for banks and investment firms (Commission Delegated Regulation EU No. 604/2014 of 4 March 2014), the DNB guidelines on the selection of identified staff for other institutions, including insurers (Q&A of Open Book on Supervision) and, in the case of alternative investment fund managers, the ESMA guidelines on sound remuneration policies.

## 2.5 Officers in control functions (key functions)

Control functions (also known as key functions in the case of the insurers within the ASR Group that apply Solvency II) are departments that are responsible for the control and supervision of operations as well as the risks arising from those operations, and in doing so operate independently from the rest of the organisation. The control functions play an active role in the drafting, application and monitoring of the remuneration policy. For this reason, officers in control functions are subject to additional rules aimed at safeguarding their independence, including rules governing the composition of their variable remuneration.

Officers in control functions are defined as senior and/or managerial employees and/or holders of key functions (as identified in Solvency II) working in the following:

- Group Risk Management (including the actuarial function);
- Audit;
- Compliance;
- Departments similar to the above in group companies.

## 2.6 Policymakers<sup>1</sup>

Policymakers are officers who decide the day-to-day policy of a financial institution. This group includes in any event the directors under the Articles of Association and individuals who are not executive directors but whose influence is such that they are effectively able to determine the day-to-day policy of the company.

In the case of policymakers, severance pay is subject to a maximum of no more than 100% of the fixed annual remuneration.

## 2.7 Senior officials within the meaning of WNT

The Dutch Executives' Pay (Standards) Act (Dutch acronym: WNT) applies to officials working in the public and semi-public sector. Within the ASR Group, the Act imposes additional pay restrictions on senior officials within the meaning of the Act working at the health insurance business (ASR Aanvullende Ziektekostenverzekeringen N.V. and ASR Basis Ziektekostenverzekeringen N.V.). These pay restrictions include a sector-wide maximum on remuneration and a cap on severance pay.

## 2.8 Executive directors and supervisory directors<sup>2</sup>

Executive directors are members of the Executive Board. Supervisory directors are members of the Supervisory Board. In the context of the Group Remuneration Policy and the ASR Remuneration policy, the terms 'executive directors' and 'supervisory directors' refer to the executive directors and supervisory directors of ASR Nederland N.V. unless explicitly stated otherwise.

The regulations that apply specifically to executive and supervisory directors of ASR Nederland N.V. are in principle also applied to executive and supervisory directors of group companies, except in the case of specific departures from these regulations.

## 2.9 High earners

The MiFID II – delegated regulation provides for specific rules for all relevant persons with a direct or indirect impact on the investment services and related services provided within the ASR Group by the investment companies as included in APPENDIX IV (Appendix IV companies) or on its professional behaviour, irrespective of the type of customers.

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<sup>1</sup> In the context of this remuneration policy, the term 'employees' also refers to policymakers.

<sup>2</sup> In the context of this remuneration policy, the term 'employees' also refers to executive directors.



## 2.10 MiFID II – staff

The MiFID II – delegated regulation provides for specific rules for all relevant persons with a direct or indirect impact on the investment services and related services provided within the ASR Group by the investment companies as included in APPENDIX IV (Appendix IV companies) or on its professional behaviour, irrespective of the type of customers.

### Definition MiFID II staff

'Relevant persons' within the meaning of the MiFID is understood to mean all persons who may influence the performances or the behaviour of the investment company, including but not limited to:

- Front-office staff;
- Sales staff or other employees who are not directly involved in the provision of investment services or related services;
- Persons supervising sales staff, such as
  - immediate superiors who can be encouraged to put pressure on sales staff;
  - financial analysts whose material can be used by sales staff to induce customers to invest, or persons involved in the complaints handling or product design and development;
- Tied agents.

Under this remuneration policy, these relevant persons are designated as MiFID II staff. In supplementation of the provisions in this policy, the rules from the MiFID II – delegated regulation, which have also been included in this remuneration policy, apply to this group of staff.

Appendix IV companies are to decide for themselves which persons within the organisation qualify as MiFID staff.

### Principles

The remuneration of MiFID II staff is organised in such a way as to not to create any conflict of interest or incentive that might prompt MiFID II staff to put their or a.s.r.'s interests before those of the customer, resulting in a potential disadvantage of the customer. All relevant factors are taken into account, including the role of the employee, the type of product offered and the manner of distribution.

The management of the investment company is responsible for the day-to-day implementation of the remuneration policy and the monitoring of the compliance risks related to the policy applicable to MiFID II – staff.

## 2.11 Sales staff

Sales staff are employees who offer the following products or services to customers directly: mortgages, personal loans, deposits, payment accounts, payment services and payment instruments and/or electronic money (hereinafter referred to as Sales staff). In addition to what has been determined in this policy, the rules from the sales staff EBA Guideline apply to this group of staff.

The remuneration policy warrants that the performances of Sales staff are not remunerated (financially or non-financially) or assessed in such a way that conflicts may arise, and obligates to act in the interest of customers and not to make any arrangements in areas such as, for example, sales targets that may prompt employees to recommend a specific financial instrument to customers while another financial instrument could be offered that better suits the needs of the customer in question.

Under the Guideline, non-financial remuneration is understood to mean, among other things, promotions, healthcare insurance, discounts or the provision of a car or mobile phone, generous expense allowances or seminars.

# 3 Remuneration components in the statutory framework

## 3.1 Introduction

The total remuneration of employees can be broken down into fixed remuneration and variable remuneration. The law does not provide for a third category of remuneration components. The various forms of remuneration contained in pay-and-benefits schemes can always be put into either the fixed category or the variable category. This classification is important partly because the ratio of fixed to variable remuneration and the awarding and payment of variable remuneration are subject to specific restrictions designed to promote the principles underlying this remuneration policy.

## 3.2 Outline

The way in which ASR Nederland N.V. has implemented this policy within the frameworks described in this chapter is contained in Chapter 5. This chapter describes the statutory frameworks as applicable to the ASR Group.

Section 3.3 sets out the policy on fixed remuneration, while Section 3.4 describes the rules regarding the appropriate ratio of fixed to variable remuneration. The allocation of allowances to the categories of fixed and variable remuneration is discussed in Sections 3.5 and 3.6. Section 3.7 describes the policy regarding severance pay and its allocation. Finally, Section 3.8 provides a brief explanation of the frameworks for the pension policy. In Chapter 4 the frameworks for variable remuneration applying to the ASR Group are described in further detail.

## 3.3 Fixed remuneration

Fixed remuneration is first and foremost a reflection of an employee's relevant work experience and organisational responsibility. This work experience and this responsibility are described in the relevant job profile.

Remuneration is fixed if the conditions governing the awarding and level of the remuneration:

- Are based on predetermined criteria;
- Are non-discretionary, depending on the level of professional experience and seniority van the employees;
- Provide the individual employee with transparency regarding the amount to be awarded to that employee;
- Are permanent, i.e. are maintained for a period that is tied to the specific role and responsibilities within the organisation;
- Cannot be revoked (the permanent amount can only be changed by means of collective negotiation or following a renegotiation);
- Cannot be reduced, deferred or cancelled by the company;
- Do not encourage risk-taking; and
- Are not dependent on performance.

All remuneration that cannot be classified as fixed remuneration is, by definition, variable.

### 3.3.1 Maximum fixed remuneration for senior officials within the meaning of WNT

In the case of senior officials within the meaning of WNT, the remuneration (as defined in WNT) may not exceed an absolute maximum amount that is fixed by the Dutch Minister of Health, Welfare and Sport. New senior officials within the meaning of WNT who work at the ASR Group receive remuneration that does not exceed this maximum amount. Senior officials within the meaning of WNT who have been paid higher remuneration for some time may, under the transitional provisions of the Act, continue to be paid higher remuneration for a limited period.

### 3.4 Appropriate ratio of fixed to variable remuneration

No employee may receive total variable remuneration that exceeds 20% of his or her total fixed annual remuneration. This ratio is also referred to below as the 'bonus cap of 20%'. Using this ratio ensures that the fixed and variable components of total remuneration are appropriately balanced. It also ensures that the fixed component represents a sufficiently high proportion of the total remuneration package to allow the operation of a fully flexible policy on variable remuneration. This also includes the possibility of awarding or paying no variable remuneration.

By way of a departure from the bonus cap of 20%, in individual cases a higher amount of variable remuneration may be awarded, subject to a maximum of 100% of the fixed annual remuneration. This is only possible:

- In the case of employees who primarily work in the Netherlands<sup>1</sup> and whose remuneration does not stem exclusively from a CBA; and
- If the average variable remuneration of all employees in the aforementioned group does not exceed 20% of the total fixed annual remuneration of these employees.

Chapter 4 discusses the frameworks for variable remuneration in further detail.

### 3.5 Allocation of allowances

Allowances are additional payments or reimbursements that are paid out on top of the basic salary and (insofar as applicable) variable remuneration that is directly related to performance. Allowances are also categorised as either fixed remuneration or variable remuneration. When allocating allowances to either fixed or variable remuneration, consideration is given to whether the relevant allowances come within the categories of allowances that are classified as fixed remuneration (Section 3.6).

### 3.6 Allowances classified as fixed remuneration

Two categories of allowances may be classified as fixed remuneration. All allowances that do not fall into these categories are classified as variable remuneration.<sup>2</sup>

- **Collective allowances that form part of the usual pay-and-benefits package.**

These allowances are classified as fixed remuneration if they satisfy the criteria for fixed remuneration as set out in Section 3.3.

They also include additional remuneration components for large numbers of employees or employees in specific roles, based on predetermined selection criteria, including allowances for healthcare and/or childcare, proportionate regular pension contributions on top of the mandatory pension contributions, and mobility allowances.

- **Individual allowances linked to the employee's role, position or responsibility within the organisation.**

These allowances are classified as fixed remuneration provided they satisfy the criteria referred to in Section 3.3 and:

- The allowance continues to be awarded as long as the responsibilities and powers of that role, function or organisational responsibility do not change to the extent that the employee is effectively assigned a different role, function or responsibility within the organisation;
- The amount of the allowance is not dependent on any factors other than the fact the employee has a specific role or position or bears a specific responsibility within the organisation; and
- Any other employee with the same role, position or responsibility within the organisation who is in a similar situation would be entitled to a similar allowance.

<sup>1</sup> The possibilities for awarding variable remuneration are more extensive in the case of employees who primarily work outside the Netherlands.

<sup>2</sup> In connection with the current pay-and-benefits schemes at the ASR Group, the following are not discussed: allowances that are compulsory under national law, and expat allowances. Such allowances, insofar as they are applicable at the ASR Group in the future, will be classified as either fixed or variable remuneration on the basis of the applicable guidelines. [NB: see Sections 118-119 of the EBA Guidelines]

### 3.7 Severance pay

Severance pay is also fixed or variable. Severance pay is fixed if the calculation of the severance pay involves the use of a fixed formula or calculation basis that is in keeping with the fixed formulas or calculation bases used in actual practice. This includes the transition payment, the subdistrict formula and any other formulas laid down in social plans. In addition, the ASR Group shall in principle honour previous individual arrangements based on other formulas or calculation bases that were customary at the time.

Other forms of severance pay are variable. Variable severance pay must comply with the bonus cap (20%) and the other requirements for the awarding and payment of variable remuneration (Chapter 4).

Severance pay is only paid out if this relates to past performance and is designed to ensure that failure and inappropriate behaviour are not rewarded. No severance pay, either fixed or variable, may be awarded to an employee in the following cases.

- In the event that the employment relationship is terminated early at the employee's own initiative, unless this is due to serious culpable conduct or neglect on the part of the company;
- In the event of serious culpable conduct or neglect in the performance of his or her role by the employee and/or any compelling reason for dismissal with immediate effect.

The employee hands in his or her notice and goes to work elsewhere within the ASR Group.

Additionally, the following conditions apply in respect of severance pay for policymakers.

- The maximum severance pay is 100% of the fixed annual remuneration;
- No severance pay is awarded in the event of the company's failure.

In the case of senior officials within the meaning of WNT, the maximum amount of severance pay, including remuneration relating to any period that the relevant senior official is exempt from work, is equal to the senior official's annual salary, but may not exceed a gross amount of € 75,000.

### 3.8 Pension policy and discretionary pension contributions

The pension policy is aligned with the strategy, objectives, values and long-term interests of the company and the relevant subsidiary or group company. The pension policy is laid down in the relevant remuneration policy, which may refer to applicable pension schemes.

Discretionary pension contributions are increased pension benefits that are granted to an employee on top of the pension contributions under the applicable pension scheme. Discretionary pension contributions are classified as variable remuneration and as such must comply with the bonus cap of 20% and the other requirements for the awarding and payment of variable remuneration (Chapter 4).

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# 4 Group Remuneration Policy: frameworks for variable remuneration

## 4.1 Introduction

This chapter deals with the frameworks for the variable remuneration of the Group Remuneration Policy.

### Group Remuneration Policy

Appendix I companies may pursue their own remuneration policy and have their own pay-and-benefits schemes. The remuneration policies of these subsidiaries must be in keeping with the frameworks described in this chapter.

### ASR Remuneration Policy

Chapter 5 explains the specific policy of ASR Nederland N.V., This applies to ASR Nederland N.V., Appendix II companies and Appendix IV companies. This policy is in keeping with the frameworks described in this chapter.

## 4.2 Outline

Section 4.3 describes the frameworks for variable remuneration and discusses several specific forms of variable remuneration, including retention bonuses and welcome bonuses. The remainder of this chapter (Sections 4.4 to 4.6 inclusive) describes the group policy regarding the minimum requirements applying to variable remuneration (to the extent that variable remuneration is awarded at the ASR Group).

Some of these requirements apply only to specific groups of employees. This is stated separately for each item.

## 4.3 Variable remuneration

Variable remuneration is a reflection of a sustainable, risk-adjusted return and of a level of performance that goes beyond that specified in the job description.

### 4.3.1 Retention bonus

A retention bonus is a payment that may be awarded to an employee in order to retain that employee for a specific period of time. The award of a retention bonus must be based on a legitimate reason, such as a permanent organisational change, a restructuring or a significant change in the control structure.

Retention bonuses are, by definition, variable remuneration and must satisfy the requirements for the awarding and payment of variable remuneration (see Section 4.4 et seq.). In principle, no retention bonus may be awarded if this would exceed the bonus cap of 20%. If awarding a retention bonus would result in the bonus cap of 20% being exceeded, the retention bonus may be awarded only if additional (statutory) conditions apply and with the prior written permission of DNB or the AFM.

This concerns the following conditions.

- The variable remuneration is necessary in connection with a permanent organisational change of the business;
- The variable remuneration exclusively serves to retain the services of the person mentioned in the first sentence for the company; and
- The variable remuneration does not result in the sum of variable remunerations exceeding the percentages (of 100% and 200% respectively) as referred to in Article 94 (1), (g), (i), first sentence and ii of the Capital Requirements Directive.

### 4.3.2 Guaranteed variable remuneration, welcome bonuses and buy-outs

Guaranteed variable remuneration is variable remuneration in respect of which few, if any, performance criteria apply. Since guaranteed variable remuneration is not consistent with sound risk management and the principle of performance-related pay, no guaranteed variable remuneration is awarded at the ASR Group. Examples of prohibited guaranteed variable remuneration include guaranteed bonuses and guaranteed minimum levels of variable remuneration.

By way of an exception, guaranteed variable remuneration may be provided when new employees commence employment. This takes the form of either a welcome bonus (also known as a sign-on bonus) designed to attract new employees or remuneration to provide compensation for or to buy out employment contracts related to previous employers (also known as: 'buy-out'). A welcome bonus or buy-out is not awarded unless:

- It is related to commencing work under the responsibility of the company;
- The employee has not worked under the responsibility of the company for more than one year at the time of award; and
- The company has robust regulatory capital, solvency margin or own funds at the time of award.

The welcome bonus is not included in the calculation of the bonus cap of 20% if it is awarded before the first performance period begins. The other requirements for awarding and payment do not apply to the welcome bonus either. The bonus cap of 20% and the other requirements for the awarding and payment of variable remuneration, except for the performance criteria, apply in the case of buy-outs. These are minimum requirements relating to

- Performance criteria (Section 4.4);
- Arrangements governing payment (Section 4.5);
- Risk adjustment (Section 4.6).

## 4.4 Performance criteria

### All employees

The performance criteria on which the variable remuneration is based consist of achievable goals and measures over which the employee has some direct influence. They do not encourage excessive risk-taking or mis-selling, take account of the rights and interests of consumers, the quality of the service to customers and are in keeping with the corporate strategy, objectives, values and long-term interests of the company and the relevant group company or subsidiary, including the risk management strategy, risk appetite and risk profile. The performance criteria take account of the qualitative as well as the quantitative criteria to determine the level of the variable remuneration, to ensure that the rights and interests of customers are taken due account of.

The performance criteria consist of a combination of:

- Financial criteria and non-financial criteria (the latter making up at least 50%);
- Absolute criteria (based on corporate strategy) and relative criteria (in comparison with peers); and
- Performance and risks in relation to (i) the individual employee, (ii) the division or department where the employee works, and (iii) the group company or subsidiary and the ASR Group as a whole.

The relative importance of the different elements and levels of performance criteria are weighed up and determined in advance. As part of this, attention is paid to the groups of employees to whom the performance criteria apply and the risks that they may take in the performance of their duties.

The period for which variable remuneration is awarded is at least one year. In addition, a distinction will be made regarding the variable remuneration and the performance assessment between the various roles at the operational and corporate divisions and control functions. The aim here is to ensure that the performance is linked to the specific job content.

### Identified staff

In the above, the performance criteria for identified staff fit within a multi-year framework, which is tailored to the time horizon of the business cycle and the business risks of the company or the group company or subsidiary where the employee works.

### Officers in control functions (key functions)

The pay structure of officers in control functions focuses on the ability of those employees to carry on the control function independently. Conflicts of interest must be avoided. For this reason, the performance criteria for variable remuneration for officers with control duties are based primarily on job-specific control objectives. They are based only partially on market-related business objectives, such as premium income, returns on equities, loans or growth in total assets.

## MiFID II Staff

In the remuneration structure of MiFID II Staff, the interests of customers are key and are not prejudiced in the short, medium and long term by the remuneration policy adopted. The remuneration policy and the remuneration practices are organised in such a manner that no conflict of interest or stimulus is created that might induce MiFID II Staff to favour their interests or the interests of the company at the potential detriment of a customer. In addition to the general principles in this remuneration policy, the following principles with regard to the remuneration and the performance criteria in particular apply to MiFID II Staff:

- The remuneration is not exclusively linked to a quantitative target figure for the offering or provision of (bank or investment) products and services;
- The remuneration policy does not induce to offer or provide a specific product or to promote a category of products in favour of other products, such as products that yield more profit for the institutions or for a relevant person, to the detriment of the client;
- Remunerations and similar incentives are not exclusively based on quantitative commercial criteria and take full account of the suitable qualitative criteria that reflect the compliance with applicable regulations, the correct treatment of customers and the quality of the services to the customers; and
- A balance between fixed and variable remuneration components is maintained at all times, so that the remuneration structure does not favour the interests of the Appendix IV companies or their MiFID II Staff to the detriment of a customer's interests; and
- In determining the performances of MiFID II Staff, Appendix IV companies take account of how they performed with regard to compliance with the rules of conduct and, in general, the obligation to promote the interests of their customers;
- Qualitative criteria must be set that encourage the relevant persons to promote the interests of the customer;
- MiFID II Staff must be clearly informed in advance of the criteria by which their remuneration is determined and of the steps and the time path of their performance interviews. The criteria by which companies assess the performances of MiFID II must be accessible, understandable and recorded in writing.

## Sales staff

The interests of customers are key in the remuneration structure of Sales staff. The remuneration policy must ensure that remuneration practices do not involve any risks for the consumer or limit the risks coming about. In addition to the general principles in this remuneration policy, the following principles with regard to the remuneration and the performance criteria in particular apply to Sales staff:

- The remuneration is not exclusively linked to a quantitative target figure for offering or providing (bank) products and services;
- The remuneration policy does not induce to offer or provide a specific product or to promote a category of products in favour of other products, such as products that yield more profit for the institutions or for a relevant person, to the detriment of the customer;
- The criteria for assessing the Sales staff must be recorded and must take account of the rights and interests of consumers;
- To determine the level of the variable remuneration, both qualitative and quantitative criteria must be taken into account in order to appropriately consider the rights and interests of consumers;
- There should be a suitable balance in the relationship between fixed and variable components of the remuneration, and the rights and interests of consumers must be taken into account; and
- A flexible policy should be pursued with regard to the variable remuneration, including the possibility not to grant any variable remuneration at all.

### 4.4.1 Restrictions non-financial remuneration sales staff

Financial and/or non-financial forms of remuneration may not induce Sales staff to favour their own interests or those of the institution to the detriment of consumers. The EBA Guidelines for sales staff define non-financial remuneration as, among other things, promotions/career options, healthcare insurance, discounts or the provision of a car or mobile phone, expense allowances or seminars. Such remunerations are only paid out in accordance with the performance criteria applicable to Sales staff.

## 4.5 Arrangements for paying variable remuneration to identified staff

Specific requirements concerning the way in which variable remuneration is paid apply to identified staff. These requirements relate to the form in which payment is made (in cash or financial instruments: Section 4.5.1) and to the time of payment (Section 4.5.2).

### 4.5.1 Financial instruments

At least 50% of both the deferred portion of variable remuneration and the portion that is paid immediately consists of an appropriate balance of financial instruments.<sup>1</sup> In the case of employees working for alternative investment funds (at the time of publication of this version: ASR Vermogensbeheer N.V. and ASR Vastgoed Vermogensbeheer B.V.), such financial instruments must be linked to the alternative investment funds themselves. No dividend or interest is payable on the financial instruments during the deferral period.

### 4.5.2 Deferral arrangements and retention policy

Some variable remuneration is awarded on a deferred basis. The length of the deferral period is related to the business cycle, the nature of the activities and the associated risk, the responsibilities, powers and activities the relevant employee or employees or group of employees, and expected fluctuations in the economic activity, performance and risks of the company and the division as well as the influence employees exercise over such fluctuations.

During the deferral period, the company holds on to the relevant portion of variable remuneration, enabling a penalty to be applied (see Section 4.6.2). Following the deferral period ends and the application of any penalty, no more adjustments are made to the amount of the initial cash award. A retention period applies to the portion of variable remuneration paid in financial instruments following payment (maximum of 60%) or following the end of the deferral period (minimum of 40%), as applicable. These financial instruments must not be sold during this retention period. The retention policy that is in place is designed to ensure that financial incentives created by variable remuneration are aligned with the company's long-term interests.

The table below shows the frameworks that apply when determining the deferral and retention policy. The initial amount of variable remuneration awarded, following the application of any penalty, may be vested in full at the end of the deferral period (cliff vesting) or be vested on a proportional basis during the deferral period (beginning no earlier than one year following the start of the deferral period). The deferral period starts when the portion of variable remuneration to be paid immediately is paid.

#### Composition of payment

	Deferral percentage	Deferral period	Retention period
Maximum of 50% in cash	Immediate payment of maximum of 60%		
	Deferred payment of minimum of 40%	Minimum of 3-5 years	
Minimum of 50% in financial instruments	Immediate payment of maximum of 60%		Minimum of 1 year
	Deferred payment of minimum of 40%	Minimum of 3-5 years	Minimum of 1 year (total: minimum of 4 years)

<sup>1</sup> The financial instruments satisfy the relevant requirements laid down in Commission Delegated Regulation (EU) No. 527/2014 of 12 March 2014 supplementing Directive (EU) No. 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration, Official Journal of the European Union L 148/21.



## 4.6 Risk adjustment (all employees)

The adjustment of variable remuneration for risk is of crucial importance for managing risks relating to remuneration. Besides using performance criteria that are tailored to risks, an ex ante risk adjustment is also applied when variable remuneration is initially awarded (Section 4.6.1). At the end of deferral period (or, in the case of proportional payment, at the end of the relevant shortened deferral period) a check is performed to determine whether the penalty needs to be applied (Section 4.6.2). Following payment, variable remuneration may still be recovered if there are grounds to do so (Section 4.6.3).

### 4.6.1 Ex ante risk adjustment

Ex ante risk adjustment refers to the correction of variable remuneration for risk prior to the initial award. The total amount of variable remuneration (the bonus pool) and the individual variable remuneration are adjusted downwards if current and future risks give grounds to do so.

#### Bonus pool

Bonuses are assessed prior to their award to ensure that the total variable remuneration to be paid out in that year by the company will not limit its ability to maintain and strengthen its capital base, regulatory capital, solvency margin or own funds. This analysis also takes account of the costs of capital employed and the costs of the required liquidity, regulatory capital or own funds. ASR Bank pursues a conservative policy in this respect in keeping with the ECB Dividend Recommendation and ECB Letter to Banks concerning a prudent dividend and remuneration policy.

#### Adjustment of individual variable remuneration

Variable remuneration is paid on the basis of the attainment of performance-related targets that are set in advance. These targets are also checked in advance.

When assessing performance, the basis used to calculate the amount of variable remuneration to be awarded is adjusted downwards where this is necessary in view of a current or future risk.

### 4.6.2 Ex post risk adjustment: penalty

Prior to the payment of the variable remuneration, the size of the variable remuneration can be wholly or partly reduced if appropriate on the grounds of a reassessment of the performance based on significant new information in the light of the original risk-adjusted performance criteria. In addition, the variable remuneration shall in all events be reduced if it is established that:

- a. The employee has not met relevant standards in respect of competence and appropriate conduct;
- b. The employee was responsible for behaviours that led to a material deterioration in the company's financial position;
- c. Payment would lead to a situation where the capital base, regulatory capital, solvency margin or own funds of ASR Nederland N.V. or a relevant subsidiary or group company would no longer be robust; and the payment in relation to ASR Bank N.V. would not be in keeping with a conservative policy as intended in the ECB Dividend Recommendation and ECB Letter to Banks concerning a prudent dividend and remuneration policy;
- d. Payment of such remuneration would be unfair and unreasonable.

This penalty can be applied until the deferred part of the variable remuneration has been paid out.

### 4.6.3 Ex post risk adjustment: claw-back clause

Variable remuneration that has been paid will in any event be reclaimed in full or in part in the event that:

- a. The employee has not met relevant standards in respect of competence and appropriate conduct;
- b. The employee was responsible for behaviours that led to a material deterioration in the company's financial position;
- c. Payment was made on the basis of incorrect information concerning the attainment of targets underlying the payment or concerning the circumstances on which the bonus was contingent.

The claw-back can be applied at all times, with due regard to the statutory time limits.

## **4.7 Introduction of new products or services by Appendix IV companies**

Before bringing new products into the market, Appendix IV companies must check whether the remuneration characteristics related to the distribution of the product in question meet their remuneration policy and practices and therefore do not entail any risk with regard to business conduct and conflicts of interest. Companies are to document this appropriately.

## **4.8 Conflicts of interest**

Appendix I, Appendix II and Appendix IV companies must have a policy in place to avoid conflicts of interest in accordance with the applicable legislation and regulations. Specifically with regard to the remuneration of staff, ASR Group acknowledges that conflicts of interest may be involved. This remuneration policy has been formulated to protect the interests of consumers, customers or participants and to avoid such conflicts of interest. This remuneration policy has been phrased in such a way that staff will have no cause for speculative behaviour and negative incentives. This way ASR Group seeks to effect that each direct relationship is eliminated between the remuneration of staff mainly involved in one activity on the one hand, and the remuneration of or the income generated by other staff mainly involved in another activity on the other, if, with regard to these activities, a conflict of interest might arise.

# 5 ASR Remuneration Policy

## 5.1 Introduction

The ASR Remuneration Policy is explained in further detail in this chapter. The principle is that a company-wide variable remuneration scheme is not in keeping with the ASR Remuneration Policy. This is also why such remuneration is longer awarded (with effect from 1 July 2014).

The regulations from the Group Remuneration Policy (Chapter 4) also apply to the ASR Remuneration Policy (Chapter 5), unless these are explicitly derogated from in the ASR Remuneration Policy.

## 5.2 Outline

This chapter starts with a discussion of specific groups of employees (Section 5.3), which is followed by a brief consideration of fair market remuneration (Section 5.4). Section 5.5 contains a short discussion of the fixed monthly allowance and the termination of the company-wide variable remuneration scheme that was in place until 2014. Variable remuneration applicable to specific groups of employees is covered in greater depth in Section 5.6, while Section 5.7 briefly looks at retention bonuses. Guaranteed variable remuneration, welcome bonuses and buy-outs are discussed in Section 5.8, and the pension policy in Section 5.9.

## 5.3 Specific groups of employees

Chapter 2 identifies the specific groups of employees in respect of which additional rules are described in the statutory and regulatory framework (Section 1.4.). There is also another specific group of employees at ASR Nederland N.V., which is identified on the basis of internal rules: senior and higher management. Senior management consists of employees in salary groups 22 and 23, while higher management consists of employees in salary groups 13 to 15 inclusive.

A number of employees in the senior management category, and certain employees in the higher management category, are also categorised in groups of identified staff (Section 2.4).

## 5.4 Fair market remuneration

A comparison with the peer group is made to determine the competitiveness of the total remuneration of all employees who come within the scope of the ASR Remuneration Policy. The Remuneration Committee periodically checks whether the choice of the peer groups is still adequate or should be revised. Once every three years, an independent consultancy is hired to perform a market comparison (remuneration benchmark).

The ASR Remuneration Policy starts from the principle that the average level of total remuneration should actually be below the median of the peer group. The relevant peer group for the Executive Board of ASR Nederland N.V. consists of a mix of Dutch financial institutions and medium sized, listed Dutch businesses outside the financial sector. Asset Management is the relevant peer group for ASR Vermogensbeheer. The relevant peer group for other employees consists of the general market. These peer groups are in keeping with the company's core values and vision and with the principles underlying the remuneration policy.

## 5.5 Termination of structural/company-wide variable remuneration and fixed monthly allowance

Company-wide variable remuneration ceased to apply on 1 July 2014. Employees who were awarded variable remuneration prior to 1 July 2014 but who have not yet been paid this remuneration in full are still eligible for payment of the remainder of the variable remuneration awarded at that time. Under this rule, no new variable remuneration has been awarded since 1 July 2014. The termination arrangements concerning variable remuneration regulations prior to 1 July 2014 is included as Appendix VI.

Since the 2011 financial year, no structural variable remuneration scheme applies for members of the Executive Board of ASR Nederland N.V. No variable remuneration was and is granted to members of the Supervisory Board of ASR Nederland N.V.

Variable remuneration ceased to be awarded to members of the Executive Board of ASR Nederland N.V. in financial year 2011. No variable remuneration has been or is currently awarded to members of the Supervisory Board of ASR Nederland N.V.

All employees who were employed by ASR Nederland N.V. on 1 July 2014 have received a fixed monthly allowance since that date. This allowance is calculated on the basis of either Article 6 of the CBA job classification and pay structure for back-office Positions at ASR Nederland N.V., or Article 9 of the CBA job classification and pay structure for front-office positions at ASR Nederland N.V., as applicable, and is awarded to employees who come within the scope of these CBAs. In keeping with agreements reached with the trade unions, a fixed monthly allowance is also awarded to all other employees. This allowance is specified in the employment contracts of the individual employees.

The fixed allowance is calculated as a percentage of the individual gross fixed monthly salary that is actually paid. This percentage is calculated separately in advance for each group of employees:

- CBA population: 4.4%;
- Higher management (salary groups 13-15): 10.9%;
- Senior management (salary groups 22-23) 16.2%.

The fixed monthly allowance is classified as a collective allowance that forms part of the usual pay-and benefits package for a large portion of the employees. The conditions governing the award and level of the fixed monthly allowance:

- Are based on predetermined criteria as summarised above;
- Are non-discretionary, and depend instead on the date the employee commenced work (before or after 1 July 2014) and/or the salary group;
- Are transparent to the individual employees;
- Are permanently in place so long as the employee remains in the relevant salary group and the company is obliged to continue to pay the employee's salary;
- Can only be amended by means of CBA negotiations or renegotiation on an individual basis;
- Cannot be reduced, deferred or scrapped by the company acting unilaterally;
- Do not encourage risk-taking; and
- Are not dependent on the performance of the company or the employee.

Consequently, the fixed monthly allowance is classified as fixed remuneration.

## 5.6 Occasional / specific variable remuneration: Incidental bonuses

### Eligible employees

Incidental bonuses are small amounts of remuneration for specific performance on the part of an employee that goes beyond his or her job description. Such remuneration may be in the form of money or take another form (e.g. a gift card). Identified staff and officers in control functions are not eligible for incidental bonuses.

Performance criteria and maximum ratio to fixed remuneration

An incidental bonus is awarded in the event of specific performance on the part of the employee that goes beyond his or her duties and responsibilities under his or her job description. Incidental bonuses are paid only on the instruction of the line manager after obtaining prior permission from the human resources function. When assessing the request for an award, the human resources function uses performance criteria that:

- Are in keeping with the company's long-term objectives, strategy and risk management policy;
- Are based on a combination of the assessment of the performance of the relevant employee and that of the relevant division, as well as the results of the company as a whole;
- Involve both financial and non-financial criteria (the latter making up at least 50%); and
- Do not encourage excessive risk-taking or mis-selling.

The value of the incidental bonus plus any other variable remuneration may not exceed 20% of the total fixed annual remuneration.

## 5.7 Ex ante risk adjustment, penalty and claw-back

### 5.7.1 General

In accordance with the Group Remuneration Policy, ASR Nederland N.V. applies the ex ante and ex post risk adjustment to variable remuneration.

### 5.7.2 Ex ante risk adjustment

The human resources function (HR Director) applies the ex ante risk adjustment, based on input received from the control functions, in accordance with Section 4.6.1.

### 5.7.3 Penalty

A decision to apply a penalty is taken, in accordance with Section 4.6.2, by:

- The Supervisory Board, following a proposal from the Remuneration Committee, and using input from the human resources function and the control functions, when directors are involved; or
- The Executive Board, using input from the human resources function and the control functions, when other staff is involved.

### 5.7.4 Claw-back

A decision to apply a claw-back is taken, in accordance with Section 4.6.3, by:

- The Supervisory Board, following a proposal from the Remuneration Committee, and using input from the human resources function and the control functions, when directors are involved; or
- The Executive Board, using input from the human resources function and the control functions, when other staff is involved.

## 5.8 Special forms of remuneration

Retention bonuses, guaranteed variable remuneration, welcome bonuses and buy-outs are discussed below.

### 5.8.1 Retention bonuses

Prior written permission from DNB for retention bonuses exceeding the bonus cap of 20% may only be requested by the HR department of ASR Nederland N.V., after obtaining the prior permission of the Remuneration Committee.

### 5.8.2 Guaranteed variable remuneration, welcome bonuses and buy-outs

ASR Nederland N.V. does not award guaranteed variable remuneration except within the bounds described in Chapter 4, Section 4.3.2, of this remuneration policy and only if prior permission has been obtained from the HR Director.

## 5.9 Pension policy

The pension policy for all employees who come within the scope of the ASR Remuneration Policy is described in the ASR Nederland N.V. Pension Schemes and is implemented by ASR Levensverzekering N.V. Employees in salary group 13 and higher may join a net pension scheme administered by ASR Levensverzekering N.V. to compensate for the cap on pensionable income. No discretionary pension contributions are awarded.

# 6 Publication

Below, the reporting obligations of ASR Nederland N.V. are described in brief. Additional, specific obligations apply to ASR Bank N.V., which will be described next. Because the remuneration policy for ASR Bank N.V. must be applied to the group at large, and because ASR Bank N.V. follows ASR Nederland N.V.'s remuneration policy, the description of the remuneration policy of ASR Nederland N.V. in ASR Nederland N.V.'s management report will meet both sets of rules.

## Disclosure requirements ASR Nederland N.V.

### 1. Annual Report

#### 1a. Management report ('remuneration report')

Every year, ASR Nederland N.V. includes a description of its remuneration policy in its management report. The description of this remuneration policy (the section of the management report that is also referred to as the remuneration report) takes account of all disclosure requirements in the legislation and regulations concerning remunerations. ASR Nederland N.V. also publishes this description on its website. This description shall include at least the following elements:

- The number of high-earners, and the division for which they perform most of their work. In accordance with Article 1:120 of the Dutch Financial Supervision Act (Dutch acronym: Wft), 'high-earners' are understood to mean: the employed, natural persons who receive an annual remuneration of  $\geq$  EUR 1 million.
- The annual amount paid out in variable remunerations to natural persons employed under its responsibility.
- With regard to the members of the Executive Board and Supervisory Board, the disclosure requirements from legislation and applicable regulations are followed:
  - The provisions in the Code that prescribe, among other things, that the remuneration report must report on the manner in which the remuneration policy has been implemented in the past financial year and how the implementation of this remuneration policy contributes to long-term value creation, and on the (changes in the) remuneration ratios within ASR Nederland N.V. The remuneration report should also state that scenario analyses of possible outcomes of the variable remuneration components and their consequences for the remuneration of directors have been taken into consideration, how any variable remunerations received by directors contribute to long-term value creation, and the reasons of any severance pay received by (former) directors; and
  - The provision in the Code that prescribes that, prior to the AGM at which the appointment of a new director is on the agenda, the website publishes the main elements of the agreement of the candidate-director in question (and that, in the event of failure to comply with the agreement, reasons should be given for the non-compliance with due observance of the applicable provisions in the Code).

#### 1b. Notes to the consolidated financial statements

In the notes to the (consolidated) financial statements (based on IFRS and the requirements of Article 2:383c ff of the Dutch Civil Code), ASR Nederland N.V. includes the following:

- With regard to the members of the Executive Board and the Supervisory Board: a breakdown of the remuneration per individual member of the Executive Board and Supervisory Board;
- The aggregated combined remuneration of key management personnel (members of the Executive Board and Supervisory Board jointly).

### 2. SFCR Report

- The report that ASR Nederland N.V. based on Solvency II is required to publish on its website ('SFCR Report'), also includes 'information on the remuneration policy and the remuneration practices relating to the administrative, policymaking or supervisory body and, unless otherwise stated, the employees'. This information comprises:
  - i) The principles of the remuneration policy, with an explanation of the relative weight of the fixed and variable remuneration components;
  - ii) Information on the individual and group performance criteria based on which rights to share options, shares or variable remuneration components are granted; and
  - iii) A description of the main characteristics of additional pension and early retirement schemes for the members of the administrative, policymaking or supervisory body and for others in key positions.

ASR Nederland N.V. includes this information in the SFCR Report either by referring to (the information included in) the aforementioned remuneration report that is part of the management report, or by copying this information – as separate, clear information – from the remuneration report in the SFCR Report.

All disclosures with regard to the remuneration policy and the remuneration practices within ASR Nederland N.V. will as much as possible be found in one single medium or at one location, namely in the remuneration report that is part of the management report (with, as far as the information on the remuneration of key management personnel is concerned, a reference to the notes to the consolidated financial statements). The information in the SFCR Report is published stand-alone.

### **Specific – additional – disclosure requirements ASR Bank N.V.**

#### **3. Pillar 3 report ASR Bank N.V. (through reference to the ASR Nederland N.V. Remuneration Disclosure)**

In addition to the aforementioned requirements applicable to ASR Nederland N.V., additional requirements are in place that follow from legislation and regulations that specifically apply to ASR Bank N.V., based on which ASR Bank N.V. is – company-wide – required to report at least on the following aspects:

- Information on how the requirements in legislation and regulations on remuneration policy and variable remuneration are applied to identified staff, including information on how the requirements for the selection of identified staff are applied and what additional criteria are used in this selection;
- The number of identified staff, with a breakdown by division, senior management and other identified staff, with an explanation of any significant changes;
- Information on the decision-making process for the adoption of the remuneration policy, and on the number of meetings of the Remuneration Committee during the financial year, including information on the composition and the mandate of the Remuneration Committee, (if applicable) the external adviser who has been called in for the determination of the remuneration policy and the role of relevant stakeholders;
- A description of the way in which current and future risks of the remuneration policy have been taken into account, and the way in which the remuneration may possibly – retroactively – be adjusted with a view to the performance of ASR Bank N.V. in the long term;
- Information on the relationship between remuneration and performance, including the main targets and the groups of staff for whom variable remuneration is included in the remuneration policy;
- The main characteristics of the remuneration system, including information on the criteria applied to the assessment of the performance and the risk adjustment, the deferral policy and the criteria for final granting;
- The ratio(s) established between fixed and variable remuneration;
- Information on the performance criteria based on which shares, options or variable remuneration components are granted;
- The key parameters and the reasons for each variable remuneration system and for any other non-cash remuneration.
- Aggregated quantitative information on the remuneration, with a breakdown per division, internal control functions and so-called corporate functions;
- Aggregated quantitative information on the remuneration, with a breakdown by senior managers and identified staff, and stating the following data:
  - Remuneration amounts for the financial year, with a breakdown by fixed and variable remuneration, and the number of recipients;
  - Amounts and forms of variable remuneration, with a breakdown by cash, shares and share-linked instruments, and other options;
  - Amounts of outstanding deferred remuneration, with a breakdown by granted and non-granted portions.
  - The amounts of deferred remuneration granted during the financial year, paid out and reduced by any adjustments to the performance;
  - New payments on entry into service or on end of service awarded in the course of the financial year, and the number of recipients;
  - Payments on end of service awarded in the course of the financial year, the number of recipients and the highest amount awarded to a single individual;
- The number of high-earners (remuneration  $\geq$  EUR 1 million), broken down into remuneration scales of EUR 500,000 (for remuneration between EUR 1 million and EUR 5 million) and EUR 1 million (for remuneration  $\geq$  EUR 5 million), and the division for which they perform most of their duties.

The aggregated quantitative information on remunerations and the remuneration policy of ASR Bank N.V. must be included and broken down in accordance with the tables included in reviewed Pillar 3 (REM1, REM2 and REM3). Because ASR Bank N.V. applies ASR Nederland N.V.'s remuneration policy and information on that remuneration policy is included in ASR Nederland N.V.'s management report (remuneration report), and in the Remuneration Disclosure published by ASR Nederland N.V., ASR Nederland N.V.'s Pillar 3 report refers (back) to these reports for a description of this remuneration policy.

# 7 Governance

## 7.1 Introduction

Various bodies, committees and functions, including control functions, of ASR Nederland N.V. are involved in the formulation, adoption, implementation and monitoring of the Group Remuneration Policy and the ASR Remuneration Policy. These also play an active role in the implementation of this policy within the entire ASR Group. This chapter describes how the duties and responsibilities relating to the remuneration policy are divided between these bodies, committees, control functions and other functions. A central aspect is the fact that ensuring a sound remuneration policy is a joint effort and involves close collaboration. The persons bearing final responsibility take account of the input from the relevant committees, control functions and other functions that support them and supply them with information, both from ASR Nederland N.V. and the various divisions and group companies forming part of the ASR Group.

## 7.2 Outline

The duties and responsibilities that follow from the previous chapters for each body, committee and function (including control functions) are shown in outline in the diagrams in Sections 7.4 to 7.9. The topics, such as the remuneration policy, individual remuneration and the selection of identified staff, broken down where necessary by relevant groups of employees, are included along the horizontal axis. The vertical axis indicates the nature of the duties and responsibilities relating to the above topics (e.g. preparing, setting, checking or proposing).

All bodies, committees and functions (including control functions) referred to below are bodies, committees and functions (including control functions) of ASR Nederland N.V. which are also active within the entire ASR Group, unless explicitly stated otherwise.

The members of the various bodies, committees and functions (including control functions) of ASR Nederland N.V. at the level of Appendix I and Appendix II companies meet all integrity and suitability requirements. This is specified for ASR Nederland N.V. and the Appendix II companies in the Policy on Integrity and Suitability.

## 7.3 Governance principles for remuneration policy cycle

The following general principles govern the fulfilment of the duties and responsibilities of the various bodies, committees and functions (including control functions) that are involved in the formulation, implementation and monitoring of the policy as indicated below in Sections 7.4 to 7.9 and in the rules of procedure of the Executive Board and Supervisory Board.

### At group level

ASR Nederland N.V., as group head, is responsible for the introduction of and compliance with this policy in respect of all employees in all group companies falling within the prudential consolidation of the ASR Group. ASR Nederland N.V. is also responsible for the consistency of the Group Remuneration Policy and its proper implementation. ASR Nederland N.V. applies the following principles in its governance to assure the proper fulfilment of this responsibility:

- The Human Resource function directs the implementation of this policy and coordinates its formulation and evaluation within the entire ASR Group;
- Acting on behalf of the ASR Group, the Executive Board adopts the policy insofar as relating to the senior management after it has been approved by the Supervisory Board; The Executive Board adopts the policy for the other employees after the Supervisory Board has approved the principles of this policy;
- The Supervisory Board is responsible for and supervises the implementation of the remuneration policy for all groups of employees;
- The Supervisory Board approves the selection of identified staff before they are determined as such;
- The Remuneration Committee prepares the decision-making on the policy;
- The AGM decides on the remuneration policy for the Executive Board and can opt to award a remuneration to the members of the Supervisory Board;



- Based on a proposal of the Remuneration Committee, the Supervisory Board decides on the adoption of the individual remuneration of the members of the Executive Board; when drafting its remuneration proposal for the members of the Executive Board, the Remuneration Committee takes note of the views of the individual executive directors on the size and structure of their own remuneration;
- The control functions advise and support the Executive Board and Supervisory Board, and report to them on compliance with applicable legislation and regulations and internal codes;
- The above bodies, committees and control functions support the equivalent bodies, committees and control functions at individual subsidiary and group level with the introduction and implementation of this policy in the entire ASR Group;
- ASR Nederland N.V., as parent and consolidating institution, ensures that a separate Remuneration Committee, Selection and Appointment Committee or ARC Committee or any other committee or function is set.

## At individual level

The authorised Appendix I, Appendix II and Appendix IV companies are independently obliged to pursue a remuneration policy in accordance with applicable legislation and regulations. These companies must meet this requirement through compliance with this group policy. The following governance principles assure the fulfilment of the responsibility of both the group head and the group companies:

- It is the responsibility of the boards and supervisory bodies of the Appendix I, Appendix II and Appendix IV companies to ensure the timely and correct implementation of this policy at the individual level of these companies;
- The duties and responsibilities as shown diagrammatically in Sections 7.4 to 7.9 for the bodies, committees and control functions at the level of ASR Nederland N.V. must, insofar as possible, be fulfilled in the same manner at the equivalent levels of the Appendix I, Appendix II and Appendix IV companies. This must be done with due regard to the following:
  - The boards and where relevant the supervisory bodies or the AGM of the Appendix I, Appendix II and Appendix IV companies can adopt this policy (or parts thereof) by ratifying the related decision-making at the level of ASR Nederland N.V.;
  - The directors under the Articles of Association and (where applicable) the Supervisory Boards of the Appendix I, Appendix II and Appendix IV companies must explicitly go through the selection process independently and provide ASR Nederland N.V. with input to meet their obligations with regard to this selection.
  - The directors under the Articles of Association and (where applicable) the Supervisory Boards of the Appendix IV companies approve the remuneration policy after having sought advice from the compliance function.
  - Appendix I, Appendix II and Appendix IV companies perform the independent central assessment on an individual basis. The supervisory bodies at these levels are responsible for this. The supervisory bodies of the subsidiary and group companies report the outcomes of this assessment to the Supervisory Board of ASR Nederland N.V.
  - The various authorised Appendix I, Appendix II and Appendix IV companies are subject to diverse disclosure obligations. These disclosure obligations can – and should by preference – be complied with through the disclosure of the mandatory information on remuneration and remuneration policy in a single medium or at a single location, with cross references to other documents where necessary.
- The boards, supervisory bodies, committees and control functions at individual subsidiary and group level provide the equivalent bodies, committees and control functions at the level of ASR Nederland N.V. in good time with all input that is necessary for the timely and correct implementation of this policy at the level of ASR Nederland N.V., with the Human Resource function of ASR Nederland N.V. fulfilling a coordinating role.
- Any divergences or changes in relation to the implementation of this policy or the application of a divergent governance cycle require the express and prior permission of the Executive Board and the Supervisory Board.

## 7.4 Annual General Meeting of Shareholders (AGM)

The AGM has decision-making powers relating to the remuneration policy of the Executive Board and the remuneration of the individual members of the Supervisory Board. In addition, the AGM is kept informed by means of the Executive Board report of ASR Nederland N.V. about the remuneration of individual executive directors as adopted by the Supervisory Board.

AGM		
	Remuneration policy for:	Individual remuneration of:
	Executive Board	Supervisory Board members
Adopt	Adopt	Adopt

## 7.5 Supervisory Board

The Supervisory Board has decision-making powers relating to setting the individual remuneration of the members of the Executive Board. In addition, the Supervisory Board bears responsibilities for and oversees the implementation of the remuneration policy for all groups of employees. The Supervisory Board approves the principles of the remuneration policy and the selection of identified staff before they are adopted. The Supervisory Board also approves changes to the remuneration policy and any material exemptions for individual employees.

Supervisory Board					
	Remuneration policy for:			Individual remuneration	Selection of identified staff
	EB	Senior management (salary group 22-23)	All employees		
Adopt/ propose	Propose (after Works Council has decided its position) adoption and supervision of remuneration	-		<ul style="list-style-type: none"> <li>Executive directors: set performance criteria and remuneration</li> <li>Executive directors and supervisory directors of group companies who are also members of the Executive Board or Supervisory Board of ASR Nederland N.V.: adopt remuneration</li> <li>Identified staff: and propose remuneration</li> <li>Directors: decide on application of penalty and claw-back clause</li> </ul>	Adopt
Approve	-	Approve	The remuneration policy and changes to it:  Material exemptions for individual employees		<ul style="list-style-type: none"> <li>Policy</li> <li>Carefully study material exemptions from or changes to adopted policy and monitor their effects, both at group level and at individual group company level;</li> </ul>

Responsible for:	<ul style="list-style-type: none"> <li>• Implementation</li> <li>• Evaluation</li> </ul>	-	-	<ul style="list-style-type: none"> <li>• Involved in the design of the self-assessment;</li> <li>• Assure selection process</li> <li>• Assess adopted policy and make changes where necessary</li> </ul>
	<ul style="list-style-type: none"> <li>• Adopt and update the remuneration policy</li> <li>• Periodic testing of general principles</li> </ul>			
	<ul style="list-style-type: none"> <li>• Limit and identify conflicts of interest, partly through the adoption of objective assessment criteria based on the internal reporting system, suitable controls and the four-eyes principle;</li> <li>• Prevent conflicts of interest for officers in control functions;</li> <li>• Document remuneration policy. Maintain documentation on the decision-making process (e.g. minutes of relevant meetings, relevant reports and other relevant documents) and on the reasoning behind the remuneration policy.</li> </ul>			
Supervision:	Supervision of: <ul style="list-style-type: none"> <li>• Implementation</li> <li>• Compliance of remuneration policy and remuneration practices with governance structure, corporate culture, risk appetite and applicable legislation and regulations</li> <li>• Implementation of monitoring compliance with prohibition on personal hedging strategies.</li> <li>• Centralised and independent internal assessment of implementation (audit) at least once a year</li> </ul>		Identified staff and control functions: supervision of setting of performance criteria	Supervision (ongoing and periodic)
Information to be supplied to	-		AGM (to be informed promptly of every decision on adopting or changing remuneration policy for executive directors)	

### 7.5.1 Committees of the Supervisory Board

The Supervisory Board has an Audit and Risk Committee ('ARC Committee') and a Selection and Appointment Committee and a Remuneration Committee. These committees are set up by and composed of members of the Supervisory Board. The full Supervisory Board remains responsible for all decisions taken, including those prepared by a committee. The duties, composition, expertise, independence and organisation of the committees of the Supervisory Board are described in further detail in their rules of procedure, which are included in three appendices to the Rules of Procedure of the Supervisory Board.

### 7.5.2 Remuneration Committee

The Remuneration Committee provides the Supervisory Board with support and advice in relation to its duties and responsibilities regarding remuneration policy and remuneration practices. Decisions taken by the Supervisory Board in this area are prepared by the Remuneration Committee.

More than half of the members of the Supervisory Board and the Remuneration Committee is independent within the meaning of the Code. Neither the chair of the Supervisory Board, nor any member or former member of the Executive Board, may serve as chair of the Remuneration Committee. The members of the Remuneration Committee have sufficient knowledge, experience and skill to be able to decide on matters concerning the remuneration policy and the impact of the remuneration policy on the risks, capital and liquidity of the company as a whole, ASR Nederland N.V. and the divisions and subsidiaries that are part of the ASR Group.

Remuneration Committee				
	Remuneration policy		Individual remuneration of:	
			Identified staff	Directors
	Selection of identified staff			
Prepare, support and advise EB/SB	<ul style="list-style-type: none"> <li>• Prepare proposals and decisions of SB and EB regarding remuneration policy and individual remuneration, whereby the remuneration committee at least takes note of the views of the members of the EB about the level and structure of the own remuneration.</li> <li>• Prepare adoption of remuneration report</li> </ul>			
Responsible for:	<ul style="list-style-type: none"> <li>• Performing an independent central internal assessment at least once annually of the remuneration policy and remuneration practices</li> </ul>			
monitoring (in particular)	<ul style="list-style-type: none"> <li>• Inclusion of ex ante and ex post risk adjustment mechanisms</li> <li>• Conformity with and encouragement of sound and effective risk management</li> <li>• Operation of mechanisms and systems introduced to ensure that the remuneration system takes proper account of all sorts of risks, liquidity and capital levels</li> <li>• Conformity with strategy, objectives, corporate culture, values and long-term interests</li> <li>• Reaction of remuneration policy and remuneration practices to external and internal events and performance of back-tests of criteria that are used for the ex ante determination of the award and risk adjustment on the basis of actual risk results (scenario testing)</li> <li>• Appointment of independent remuneration consultants by Supervisory Board</li> </ul>	Attainment of performance criteria	Necessity of applying penalty and claw-back clause	-
Supervision of and recommendations to:	-	Supervision of individual remuneration of senior managers in control functions and recommendations to Supervisory Board about the design of the remuneration package and the set remuneration amounts payable to senior personnel in control functions	-	-

### 7.5.3 Selection and Appointment Committee

The Selection and Appointment Committee supports and advises the Supervisory Board in the performance of its duties and responsibilities in relation to (i) drawing up selection criteria and appointment procedures for members of the Executive Board and Supervisory Board, (ii) the periodical assessment of the size and composition of the Executive Board and Supervisory Board and making proposals for a profile of the Supervisory Board, (iii) the periodic assessment of the functioning of the individual members of the Executive Board and Supervisory Board and reporting on this to the Supervisory Board, (iv) drawing up a plan for the succession of members of the Executive Board and Supervisory Board, (v) preparing proposals for (re)appointments, and (vi) the supervision of the Executive Board's policy concerning selection criteria and appointment procedures for the higher management.

More than half of the members of the Selection and Appointment Committee are independent within the meaning of the Code. The members of the Selection and Appointment Committee have sufficient knowledge, experience and skills to make competent decisions on matters concerning the selection, appointment and assessment of members of the Supervisory Board and Executive Board as well as senior management.

### 7.5.4 ARC Committee

Without prejudice to the duties of the Remuneration Committee and the Selection and Appointment Committee, the ARC Committee examines whether the incentives created by the remuneration system take account of risk, capital, liquidity and the probability and staggering of profit forecasts, for the purpose of supporting the introduction of sound remuneration policy and practices. The ARC Committee also provides input for the selection of identified staff.

ARC Committee		
	Beloningsbeleid	Selectie identified staff
Provide input	Input regarding incentives created by the remuneration system	Input
Assess	Incentives created by the remuneration system (is sufficient account taken of risks, capital and liquidity?)	-

## 7.6 Executive Board (EB)

The Executive Board has decision-making powers and responsibilities relating to the remuneration policy in respect of all employees, with the exception of the Executive Board itself and the Supervisory Board. The Executive Board also decides on the individual remuneration of senior managers (SMs, job levels 22-23).

Executive Board			
	Remuneration policy for:	Individual remuneration of:	
	All employees	Identified staff (with exception of EB and SB) and other SMs (salary group 22-23)	Selectie of identified staff
Adopt	Adopt	Set performance criteria and remuneration  All employees (excluding directors): decisions on application malus and clawback clause	
Approve			<ul style="list-style-type: none"> <li>Selection process/criteria, including design of Self-Assessment framework</li> </ul>
Responsible for:	<ul style="list-style-type: none"> <li>Implementation</li> <li>Evaluation</li> <li>General remuneration ratios</li> <li>Compliance by ASR Nederland N.V. and all group companies</li> </ul>		

## 7.7 Control functions (key functions)

Control functions (also known as key functions) are departments that are responsible for the control and supervision of operations as well as the risks arising from those operations, and in doing so operate independently from the rest of the organisation. They advise and support the Executive Board and Supervisory Board, and report directly to the Executive Board and Supervisory Board on compliance with applicable legislation and regulations and internal codes. Officers in control functions are defined as senior and/or managerial employees working in the compliance, audit, risk management and actuarial functions. The compliance, audit and risk management functions also play an active role in the context of the remuneration policies and practices relating to other groups of employees.

Officers in control functions have sufficient means, knowledge and experience to perform their duties relating to the remuneration policy. They are independent of the divisions that they supervise.

The control functions can escalate individual cases of a possible conflict to the Supervisory Board if the customary route within the organisation fails to produce a solution. The control functions will escalate any conflict with the Supervisory Board to the Executive Board.

### 7.7.1 Risk management function

Risk management function				
	Remuneration policy regarding:		Individual remuneration of:	
	Control functions and identified staff	All employees	All employees	Selection of identified staff
Provide input	<ul style="list-style-type: none"> <li>Independence of other control functions</li> <li>Performance criteria and targets (appropriate to risk profile; incentives for irresponsible risk-taking)</li> </ul>	Input when determining criteria for application of ex ante risk adjustment and ex post reassessment	<ul style="list-style-type: none"> <li>Determine bonus pools and performance criteria;</li> <li>Ex ante risk adjustment and ex post reassessment of variable remuneration</li> </ul>	Input
	<ul style="list-style-type: none"> <li>Input for adoption of that policy in accordance with the risk management strategy of the group.</li> </ul>			
Assess/monitor	-		<ul style="list-style-type: none"> <li>Data concerning risk adjustment (and attending meetings of the Remuneration and Selection and Appointment Committees about this)</li> <li>Compliance with defined risk parameters for application of penalty</li> </ul>	Checking of list

## 7.7.2 Compliance function

Compliance function				
	Remuneration policy regarding:		Individual remuneration	Selection of identified staff
	Control functions	All employees		
Provide input	Identification of changes required (proposed text) based on legislation and regulations, internal codes, risk appetite and independence of risk management function		<ul style="list-style-type: none"> <li>Set Risk Function action in relation to bonus pools and performance criteria</li> <li>Ex ante risk adjustment and ex post reassessment of variable remuneration</li> </ul>	Prepare/adjust list
Assess/ monitor	Compliance with legislation and regulations, internal codes and risk appetite		<ul style="list-style-type: none"> <li>Compliance with internal codes of conduct for application of penalty</li> <li>Existence of grounds for recovering variable remuneration (claw-back clause)</li> <li>Compliance with prohibition on personal hedging strategies (samples)</li> </ul>	-
	Independence of risk management function	-	-	-

## 7.7.3 Audit function

Audit function			
	Remuneration policy	Individual remuneration	Selection of identified staff
Provide input	During consultations between control functions	Ex ante risk adjustment and ex post reassessment of variable remuneration	-
Assess/ monitor/ validate	<ul style="list-style-type: none"> <li>Group company level: periodic independent review of design and implementation of remuneration policy and impact on risk profile (including monitoring of impact)</li> <li>Group level: group review of compliance with legislation and regulations, group policy, procedures and internal rules at least once a year</li> </ul>	-	-

## 7.8 Human resources function

Human resources function			
	Remuneration policy	Individual remuneration	Selection of identified staff
Provide input	Preparation, adjustment and evaluation	Ex ante risk adjustment and ex post reassessment of variable remuneration	Input regarding selection
Implement	Collection of data for disclosure; arranging for disclosure	<ul style="list-style-type: none"> <li>• Consistent application of adopted remuneration policy</li> <li>• Application of established penalty and claw-back clause</li> <li>• Ensure employees undertake to comply with hedging ban</li> </ul>	-
Coordinate and define	Recommendation process for remuneration report of control functions (proposed text) (including publication)	<ul style="list-style-type: none"> <li>• Recommendation process for control functions</li> <li>• Setting of performance criteria</li> </ul>	-

The human resources function is very closely involved with the implementation of the remuneration policy. It also coordinates the preparation and evaluation of the remuneration policy and suggests the content of the policy. In keeping with the control functions, the human resources function provides input for the ex ante and ex post risk adjustments of variable remuneration.

## 7.9 Consultations between control functions

The control functions and the human resources function collaborate actively on a regular basis. They share information and provide input for each other's activities in the area of the remuneration policy.

Consultations between control functions				
	Remuneration policy	Individual remuneration of:		Selection of identified staff
		Identified staff	All employees	
Provide input	Input regarding structure of remuneration policy, conformity with legislation and regulations, risk management and risk profile	Input regarding ex ante and ex post risk adjustments regarding variable remuneration (insofar as applicable)		-
Monitor/supplement	Remuneration report	Performance criteria	-	Selection



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# Appendix V Process for selecting identified staff

## 1. Introduction

Identified staff are employees or categories of employees whose duties can have a material impact on the company's risk profile. Owing to their potential impact on the risk profile, identified staff are subject to a number of additional requirements and rules on remuneration to enable the impact of their duties on the risk profile to be monitored.

ASR Group makes use of qualitative and quantitative selection criteria for the selection of identified staff in line with the statutory framework. Periodic evaluations take place of the overview of staff designated as identified staff. This overview is prepared by the control functions consultation and adopted by the Supervisory Board.

## 2. Statutory framework

The main rules are found in:

- Financial Supervision Act (Dutch acronym: Wft);
- Restrained Remuneration Policy Regulations (Financial Supervision Act) 2017;
- Remuneration Policy (Financial Enterprises) Act (Dutch acronym: Wbfo);
- European legislation such as the Directive and the Regulations Solvency II, CRD IV and CRR (for ASR Bank N.V.), MiFID2 (for ASR Bank N.V., ASR Vastgoed Vermogensbeheer and ASR Vermogensbeheer), Regulatory Technical Standards (RTS) and the AIFM Directive. The ESMA guidelines on a sound remuneration policy apply to managers of alternative investment funds;
- Directives from the Dutch Central Bank (open book supervision).

## 3. Selection criteria for identified staff

The groups of people who could have a material impact on the risk profile of a.s.r. are:

- Category 1: Members of the Executive Board and directors under Articles of Association (also of subsidiaries) ('day-to-day policymakers');
- Category 2: Members of the Supervisory Board;
- Category 3: Officers in control functions. Control functions are second and third-line departments which, by virtue of their independent position, act as a counterweight to unacceptable risks. The scope of category 3 includes senior management staff in the compliance function, the risk management function, the actuarial function and the audit function. This category also includes employees<sup>1</sup> who have overall responsibility for risk management at a material business unit;
- Category 4: Business Executive Committee members of ASR Group's risk committees. The primary aim of these committee members is to monitor the management of the risks and the realisation of returns that have an impact on the achievement of the ASR Group's strategic objectives;
- Category 5: Members of the PARP Board. The Product Approval & Review Process Board (PARP Board) is responsible for the approval of new product initiatives and product changes;
- Category 6: Other potential risk-takers. The group of other potential risk-takers consists of:
  - a. Senior managers who have not been classified as identified staff based on the previous groups and can have a material impact on the risk profile of ASR Group;
  - b. Other key position officials of subsidiaries of ASR Group who can materially impact the risk profile of ASR Group.
  - c. Employees whose total awarded remuneration is at the same level as that of the Executive Board or senior management;
  - d. Other employees whose activities otherwise may have a material impact on the risk profile.

This applies only to the extent that they are able to have a material influence on a.s.r.'s risk profile and are not in Categories 1 through 5.

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# Appendix VI Termination arrangements concerning Variable Remuneration Regulations prior to 1 July 2014 at ASR Nederland N.V.

## 1.1 Eligible employees

These arrangements apply to identified staff in salary groups 13, 14, 15, 22 and 23 who were already employed under the responsibility of ASR Nederland N.V. prior to 1 July 2014 and who were awarded variable remuneration at that time.

To the extent that these groups of employees comprise day-to-day policymakers of ASR Nederland N.V. and banks and insurers within the ASR Group and senior officials within the meaning of WNT, the variable remuneration that has already been awarded is paid in accordance with the applicable transitional provisions.

## 1.2 Performance criteria and maximum ratio to fixed remuneration

Prior to 1 July 2014, the following performance criteria were used for conditional and unconditional awards of variable remuneration.

The level of variable remuneration of identified staff depends on the scores for three components that are given equal weight (1/3). If less than 75% of a target is attained, the remuneration linked to that target is zero.

1. **Individual targets:** the targets are agreed between the line manager and the employee at the beginning of every year. These individual targets consist of both financial and non-financial targets.
2. **Business line level** (division or subsidiary):
  - a. Customer satisfaction (50%)  
Customer satisfaction is measured using on validated metrics, such as the Net Promoter Score.
  - b. Financial performance (50%)  
The financial targets are derived directly from the multi-year budget of the company and its business lines. A central part of the budgeting process is the own risk solvency assessment (ORSA). The ORSA takes stock of the effects of the financial parameters (and plans) on the solvency position of the company. As a consequence, the targets are also adjusted for risks.
3. **ASR Nederland N.V. level:**
  - a. Customer satisfaction (50%)
  - b. Financial performance (50%)

For officers in control functions, total variable remuneration is based solely on individual targets (item 1 above), with due observance of the following principles.

- The individual targets are based primarily on the objectives of the relevant control function and are primarily derived from control objectives, such as the Tier 1 ratio, non-performing loan ratio, non-performing loan recovery rate or audit results;
- Furthermore, individual targets are also related to the trend in engagement in the delegated focus area, the trend in customer satisfaction and the trend in costs in the delegated focus area.

Between 40% and 60% of the performance criteria as applied and described above consist of non-financial criteria and are in keeping with the company's long-term objectives, strategy and risk management policy and do not encourage excessive risk taking or misselling.

The following table shows the maximum variable remuneration awarded for performance at on-target or maximum level for the relevant salary groups as a percentage of fixed remuneration.

Variable remuneration awarded for performance at on-target or maximum level		
Target group	On-target level	Maximum
Senior management (22-23)	45%	60%
Higher management (13-15)	20%	40%

### 1.3 Ex ante risk adjustment

At the time of the (initial) award of the variable remuneration, it was assessed whether a downward adjustment of the total sum and the individual variable remuneration was necessary in view of current and future risks. This included an analysis whether the company would not be limited in its ability to maintain and strengthen its regulatory capital, solvency margin or own funds. The analysis also took account of the costs of capital employed and the costs of the required liquidity, regulatory capital or own funds.

### 1.4 Composition of payment, deferral and retention schedule

The payment of variable remuneration to identified staff under the Variable Remuneration Regulations prior to 1 July 2014 is covered by a deferral and retention schedule that is designed to ensure financial incentives are aligned with the company's long-term interests. Portions of previously awarded variable remuneration have continued to be paid after 1 July 2014 owing to the application of the schedule to identified staff, in accordance with legislation and regulations.

No interest or dividend is calculated in respect of the deferral period. During the retention period, ASR Nederland N.V. holds on to the relevant portion of variable remuneration. In the event of payment at the end of the retention period, the relevant portion of variable remuneration that consists of financial instruments is adjusted to reflect the value of the company at the time the retention period ends. In this way, variable remuneration is paid in four tranches. The last payment under this schema will be made no later than 2020.

### Composition of payment

	Deferral percentage	Deferral period	Retention period	Tranche
50% in cash	Immediate payment of 50% (prior to 1 July 2014)			1
	Deferred payment of 50%	3 years		3
50% in financial instruments 50 % <sup>1</sup>	Immediate payment of 50% (prior to 1 July 2014)		2 years	2
	Deferred payment of 50%	3 years	2 years (total: 5 years)	4

## 1.5 Penalty

A decision to apply a penalty is taken, in accordance with Section 4.6.2, by:

- The Supervisory Board, following a proposal from the Remuneration Committee, and using input from the human resources function and the control functions, when directors are involved; or
- the Executive Board, using input from the human resources function and the control functions, when other staff is involved.

## 1.6 Claw back

A decision to apply a claw-back is taken, in accordance with Section 4.6.3, by:

- The Supervisory Board, following a proposal from the Remuneration Committee, and using input from the human resources function and the control functions, when directors are involved; or
- the Executive Board, using input from the human resources function and the control functions, when other staff is involved.

<sup>1</sup> The financial instruments satisfy the relevant requirements laid down in Commission Delegated Regulation (EU) No. 527/2014 of 12 March 2014 supplementing Directive (EU) No. 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration, Official Journal of the European Union L 148/21.

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