

## Extract of the International Remuneration & Nomination Policy 2017

### 1. About the International Remuneration Policy

#### Purpose

The purpose of this document is to give an extract of the International Remuneration & Nomination Policy. It gives a clear overview of the vision of Triodos Bank on remuneration and how this is translated into the daily practice. The International Remuneration Policy (in short "Policy") is the basis for the local remuneration policies. This Policy clarifies the principle behind our remuneration and the way to proceed when establishing the remuneration for (individual) co-workers. This Policy is a revision of the International Remuneration Policy which was approved by the Supervisory Board on 16 November 2016. This revised Policy incorporates the current European and Dutch legislation, the remarks of the Nomination & Compensation Committee, Internal Audit findings (if any) and ensures the reflection of our values in local remuneration policies and practice. This revised Policy was approved by the Supervisory Board on 10 November 2017.

Triodos Bank serves its mission through the capabilities and human relationships of its co-workers. Clear governance structures aim to support and enhance those capabilities and relationships and should never be seen as a goal in itself.

### 2. Scope

The Policy is prepared by the Central Head of HR and serves as a framework for all local policies and is applicable to all Business Units of Triodos Bank Group<sup>1</sup> and in all countries where Triodos Bank is operating. The local Human Resources (HR) departments will set up local policies according to local legislation and practices within the frame of the International Remuneration & Nomination Policy.

<sup>1</sup> Triodos Bank Group' means the economic and organisational unity, under central control, constituted by a primary group consisting of Triodos Bank N.V. and all legal entities in which Triodos Bank N.V. owns more than 50% of the economic rights, and a secondary group consisting of all legal entities in which the primary group has effective management control, as well as the Triodos Investment funds incorporated in the Netherlands and Luxembourg.

As of 22 July 2014, Triodos Investment Management (Triodos IM) complies with the Alternative Investment Fund Managers Directive (AIFMD). The AIFMD lays down certain requirements regarding Triodos IM's remuneration policy. Furthermore, as of 1 January 2017, Triodos IM complies with European Directive 2014/91/EU amending Directive 2009/65/EC on undertakings for collective investment in transferable securities (UCITS V), which also lays down certain requirements regarding remuneration. The International Remuneration & Nomination Policy fulfils these requirements; where applicable, additional requirements are described in a local remuneration policy for Triodos IM.

#### References to other documents

This Policy implements among others the following external core regulations:

- Regulation of De Nederlandsche Bank N.V. of 31 July 2014 on Sound Remuneration Policies pursuant to the Financial Supervision Act (*Regeling beheerst beloningsbeleid Wft 2014* or "Rbb");
- Act on the Remuneration of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen* or "Wbfo");
- EBA Guidelines on Sound Remuneration Policies, 22 December 2015;
- GRI standards for sustainability reporting, GRI 102: General Disclosures 2016;
- EBA Guidelines on remuneration of sales staff, 28 September 2016.

### 3. General Principles

#### 3.1 Fair remuneration and social coherence

The International Remuneration & Nomination Policy is based on the principle of human dignity and aims to enhance social coherence within the organization. In our view remuneration enables co-workers to earn a decent living and to contribute to the organization and society at large. Triodos Bank believes in the intrinsic motivation of its co-workers to contribute to our mission and to work according to our corporate values. The richness of the contribution of each co-worker cannot be translated into a linear, financial incentive.

Triodos Bank operates in the financial sector. Therefore its remuneration practice needs to be within the scope of what is expected in the financial sector. It allows for a

healthy in- and outflow of co-workers. At the same time Triodos Bank maintains a relatively low ratio between the lower and higher level of salaries paid. This ratio is monitored and yearly published in the co-worker report and the remuneration report. Variable components are modest and discretionary and are not an incentive to favour the co-workers' or the bank's own interest to the detriment of the Triodos Bank's customers. This all contributes to a strong sense of being jointly responsible for realizing the mission of Triodos Bank.

### 3.2 Risk mitigation and avoiding conflicts of interest

This Policy aims to encourage business practice that lies within the risk appetite of Triodos Bank. Triodos Bank chooses not to have bonuses (such as variable remuneration based on predetermined targets or achievements) as these can enhance a culture of taking unjustified risk. This Policy only recognizes fixed salaries and limited variable remuneration on a discretionary basis. There can be special circumstances that justify granting a, so called, Token of Appreciation to (a) co-worker(s) in hindsight, as described below. These Tokens of Appreciation are modest, to emphasize the non-risk related nature of this remuneration element.

To comply with the Regulation on Sound Remuneration Policies Triodos Bank explicitly states that this Policy does not negatively influence the ability of Triodos Bank to maintain a sound capital base.

This Policy is also set up to avoid conflicts of interest between individual co-workers and Triodos Bank and its customers. It describes a transparent governance as far as nomination, dismissal, remuneration and appraisal of co-workers are concerned.

## 4. Remuneration of co-workers

Remuneration of Triodos Bank co-workers incorporates all forms of payments and compensations linked to the contractual relationship between Triodos Bank and its coworkers. This chapter describes the general policy on remuneration for all co-workers. Chapter 5 holds additional provisions for specific groups of co-workers.

The following types of remuneration are distinguished:

### 4.1 Fixed Remuneration

- a. Fixed Salaries
- b. Pension Rights
- c. Fringe Benefits

### 4.2 Variable Remuneration

- a. Tokens of Appreciation
- b. Welcome and severance payments

#### 4.1 Fixed Remuneration

##### 4.1.a. Fixed Salaries

Salaries will be in range of market salaries to enable sufficient access to labour markets. The salary levels based on the valuation of Job Family Framework are at

the median of the fixed salaries of the financial services sector in a specific country. A salary table for all co-workers is applicable in each of the countries in which Triodos Bank is operating. Locally, depending on legal requirements and collective labour agreements, there can be differences in the structure of the salary table.

All positions are valued on the basis of the Job Family Framework, which follows the standard methodology of a professional service provider. The Central Head of HR periodically reviews and maintains the Job Family Framework. The Central Head of HR approves the Job Family Framework, but only after consultation with all local Heads of HR.

The salary table of each country contains the following elements:

- Number of grades for co-workers: 10 – 15;
- Each grade has defined 5-20 steps or a midpoint, minimum and maximum;
- The grades represent valuation points according to an acceptable scaling approved by a professional service provider.

The salary tables will be adjusted following the local Collective Labour Agreement. In case there is no collective agreement that applies to the Business Unit, local management will decide on a general adjustment.

The local remuneration policy and the local salary table are set up by local HR in consultation with Central HR. Final decision is made by the Managing Director and the Executive Board needs to give its approval. Depending on the local situation and legislation the works council may need to give its advice and/or approval as well.<sup>2</sup>

The Managing Directors and some other Directors at Head Office, at the discretion of the EB, are not incorporated in the salary table. A separate proposal for their salary (development) is yearly made by the EB and the Supervisory Board is consulted.

#### *Increases*

Annual increases are based on the general notion that the co-worker has gained an extra year of experience and has increased its contribution to Triodos Bank accordingly. These annual increases, including promotions, are at a maximum of 15% of the gross annual salary if the annual increase exceeds € 5.000 gross. If an increase stays below € 5.000 per year, it is allowed to exceed the 15% limit.

Only in exceptional circumstances, deviation from the maximum increase is allowed. For this situation a procedure must be followed in which local HR and the managing director must give their approval.

<sup>2</sup> In the Netherlands the set up and the maintenance of the local remuneration policy and the local salary table is done jointly by the HR managers of Head Office, Investment Management and the Dutch branch. The Executive Board approves changes to the local remuneration policy that is applicable to the Dutch Branch, Triodos IM and Head Office.

#### 4.1.b. Pension rights

Triodos Bank aims for a pension plan that provides an (additional) income after retirement. Each country has a Collective Pension Policy for all its co-workers if that is appropriate for the local circumstances. If there's no local policy, individual arrangements are made in the context of the labour contract. Under no circumstances pension rights are used to award specific achievements.

#### 4.1.c. Fringe benefits

With regard to fringe benefits it is important to adhere to local customs and at the same time ensure that our values are followed.

### 4.2 Variable Remuneration

#### 4.2.a. Tokens of Appreciation

The results of Triodos Bank are the result of an integrated effort by co-workers aimed at both the short term and the long term. Linking performance to financial awards is disputable and does in our view not lead to the desired behaviour and results. Triodos Bank chooses not to have any bonuses (such as variable awards that are linked to predetermined targets or achievements).

Therefore variable payments within Triodos Bank are very limited and discretionally decided. These so called Tokens of Appreciation (individual and collective) are based on the following:

##### Individual Token of Appreciation

Triodos Bank may award individual co-workers a Token of Appreciation. This Token of Appreciation is for extraordinary achievements and is at the discretion of management after consultation with HR. This Token of Appreciation is not based on targets that are set beforehand, but is always granted in retrospect. A Token of Appreciation that is granted does not generate pension rights or any other future income. The members of the Executive Board are excluded from this payment.

The criteria that management uses for its decision making in respect of individual Tokens of Appreciation are:

- Exceptional achievements above what can normally be expected in this position;
- Extra efforts that are not due to expected peaks in workload but e.g. for replacement of long term absent colleagues, a challenging project or structural understaffing of the department;
- Significant contribution to a project outside of the normal course of business;
- Significant positive impact on the atmosphere or the way of working of the team, department or across teams and departments.

##### Collective Token of Appreciation

A collective Token of Appreciation can be paid for the overall achievements and contribution of all co-workers, to the discretion of the Executive Board. This amount is equal for all co-workers with a maximum of € 500 gross per year for each co-worker, who is in service at the end of the year. This can be paid in cash or in a

comparable amount of Triodos Bank depositary receipts. There will be no distinction between part-time and full-time co-workers. Co-workers that were not in service throughout the whole year will receive a pro rata Token of Appreciation.

The members of the Executive Board refrain from this token.

The criteria for granting the Collective Token of Appreciation are:

- Gesture for the contribution and achievements of all co-workers;
- Taking into consideration our Impact, Growth and Profitability, the budget (plan) and the market circumstances both generally in the financial sector and specifically in the sectors in which Triodos Bank operates.

The following conditions apply to the aforementioned Tokens of Appreciation:

- The total sum of the variable payments in a Business Unit shall not lead to risks outside of Triodos Banks risk appetite;
- The total sum attributed to an individual co-worker does not exceed one month' salary with a maximum of € 10.000 gross in any year;
- To comply with the Regulation on Sound Remuneration Policies Triodos Bank explicitly states that it is forbidden for co-workers to hedge these Tokens of Appreciation;
- Triodos Bank applies the rules on remuneration, more in particular articles 20 and 21 of the Regulation on Sound Remuneration Policies 2014, in a proportionate manner, taking into account the size, internal organization, nature and complexity of Triodos' activities. Because the Tokens of Appreciation involved are non-material as they do not exceed one month' salary with a maximum of € 10.000 gross in any year, no deferral or (partial) distribution in financial instrument of this variable remuneration will be applied.

##### Claw back arrangements:

Up to 100 % of the Tokens of Appreciation is subject to claw back arrangements. Criteria triggering such a claw back are – in particular – situations where in hindsight: i) there is evidence of misbehaviour, fraud, misleading information or breach of the Triodos Bank Business Principles or other Triodos In-house Regulations by a co-worker; ii) the co-worker participated in or was responsible for conduct which resulted in significant losses to Triodos Bank.

The Executive Board will decide on this based on a proposal from HR and will inform the Supervisory Board.

#### 4.2.b. Welcome and severance payments

Under exceptional circumstances welcome or severance payments can be granted.

Welcoming payments, including compensation or buy out from contracts in previous employment, are only to be used in exceptional situations. These payments are only allowed if they are granted in the first year of

employment and provided that Triodos Bank has a sound and strong capital base and the payment aligns with the long-term interest of Triodos Bank. They will be reported in the remuneration report.

Severance payments are to be modest. If local legislation or generally accepted norms are available, these should be followed. Severance payments should never reward failure or misconduct. Early termination of the employment contract at the initiative of the co-worker, does not justify severance payment, unless this is the result of serious culpable acting or negligence by Triodos Bank Group.

Severance payments to members of the Executive Board do not exceed one year's salary. If a member or former member of the Executive Board is paid a severance payment or other special remuneration during a given financial year, an account and an explanation of this remuneration is included in the remuneration report.

## 5. Additional provisions for defined roles

For co-workers that hold a specific role within Triodos Bank, additional rules with respect to appointment, nomination, dismissal, remuneration and appraisal apply. In the Triodos Inhouse Regulations, the processes for decision making are described in more detail. Co-workers can be in more than one category at the same time.

The following categories are to be distinguished:

1. Executive Board
2. Independent control functions
3. Managing Directors, Key 1 & Key 2 positions
4. Identified Staff

### 5.1 Executive Board (EB)

The Supervisory Board is responsible for the nomination, recruitment, dismissal, appraisal and remuneration of the Executive Board.

### 5.2 Independent control functions

There are three independent control functions that play an active part in the ongoing oversight and review of this Policy. These control functions are:

- Risk
- Compliance
- Internal Audit

The Internal Audit function is organised at group level. The local Risk and Compliance functions report to (local) Management. To protect their independence in the performance of their responsibilities, all three control functions have the option to escalate directly to the Audit and Risk Committee, if needed.

The governance of the independent control functions is set in such a way, that the integrity and independence in the execution of their role of the local control functions in the Business Units is demonstrated.

Therefore appointment, dismissal, remuneration and appraisals of co-workers in a local control function cannot be decided by the local manager<sup>3</sup> alone. The Central Head of Risk has to approve the appointment and dismissal and gives input to the appraisal of the control functions. The Central Head of Risk is informed about the remuneration of the local control functions. In the exceptional case the Central Head of Risk does not agree with the local manager, the Central Head of Risk can overrule the decision of the local manager.

### 5.3 Managing Directors, Key 1 & Key 2 positions

Within the Triodos organization Managing Directors, central and local Key 1 and Key 2 positions (also "Key co-workers") are defined. Purpose of identifying these positions is to ensure the integrity and independence of these positions. Therefore remuneration, appraisals, recruitment, nomination and (for specific situations) dismissal of the responsible co-workers in these Key positions cannot be decided by the manager alone. In most cases the central function needs to be consulted and/or informed, and/or the approval of the Executive Board is required.

### 5.4 Identified Staff

On an annual basis the Central Head of Risk will review the list of Identified Staff. The Executive Board and the Nomination & Compensation Committee will be consulted followed by asking the Supervisory Board for approval.

#### *Remuneration- increases*

In case a salary increase is proposed for Identified Staff – not being Executive Board or Key 1 - higher than 15% and €5.000, this increase requires the prior approval of the Central Head of HR.

## 6. Reporting

Annually the Central Head of HR will consult Internal Audit, Compliance and Risk on the remuneration report, including deviations. The Executive Board will be asked for approval. After this the Nomination & Compensation Committee will be consulted and will take it for approval to the Supervisory Board.

Triodos Bank discloses the information on remuneration annually, in accordance with article 450 of the Capital Requirements Regulation (CRR), also when remuneration components are not applicable within Triodos Bank.

## 7. Nomination, recruitment and dismissal

In the scope of Triodos Governance, different processes for decision making are described. Apart from the process for remuneration and appraisal Triodos Bank also has guidelines for nomination, recruitment and

<sup>3</sup> Local manager: Manager to whom the local control function reports.

dismissal of different positions which state that the nomination and recruitment of control positions, Managing Directors, Key 1 or Key 2 positions require approval from other bodies. Execution is done locally.

This policy will be reviewed on an annual basis. The Central Head of HR will assess the Policy in view of the values of Triodos Bank and the relevant regulations in the countries where Triodos Bank operates. On central level, the Legal Department will monitor the legal developments and notify HR of any changes in regulation related to remuneration that need to be included in this Policy.