

2019 Report Remuneration Policy and Practice regarding Identified Staff of FMO

FMO is reporting on an annual basis about the remuneration policy and practice regarding the Identified Staff of FMO. Identified Staff are individuals who could have significant impact on FMO's risk profile. The European Banking Authority (EBA) issued criteria for determining which employees should be designated as Identified Staff. Based on these guidelines, Identified Staff comprise not only members of the Supervisory Board, Management Board members and Directors, but also senior managers responsible for the independent risk management function, the compliance function or the internal audit function of a bank.

Apart from the Supervisory Board members a group of 25 employees of FMO (December 31, 2019) all with a management responsibility, are designated as 'Identified Staff' in accordance with the Regulations on Sound Remuneration (Wft 2017, RBB 2017) in which the Dutch Central Bank has implemented the CRD IV regulations (articles 92 to 95) with respect to sound remuneration policies for Dutch banks.

Three members of the Identified Staff are involved in the management of FMO Investment Management B.V. (FIM), a fully owned subsidiary of FMO. Some have joint responsibilities for FMO and FIM, therefore they are fully incorporated in this report.

This report addresses the following:

1. the governance regarding the remuneration policy and practice related to the Identified Staff,
2. the guidelines of the remuneration policy for Identified Staff and
3. the remuneration practice over 2019 regarding the Identified Staff.

1. Governance with respect to Remuneration Policy

The mandate and composition of the Selection Appointment and Remuneration Committee (SARC)

The SARC advises the Supervisory Board on its decision-making in relation to the composition and appointment and re-appointment to, the Supervisory Board and the Management Board of FMO. As part of talent management, the SARC also addresses the subject of staff diversity (age, gender and cultural background) in management positions as well as with respect to the entire staff population.

Furthermore, the SARC helps the Supervisory Board to prepare for its decision-making in relation to the remuneration of the members of the Management Board, and keeps oversight on the consistency, guidelines and policies regarding the staff remuneration in general. The committee also reviews on a regular basis (normally once every three years) remuneration policies pursued in the external market and advises the Supervisory Board on how to apply the guidelines for remuneration policy in the banking sector.

The General Meeting of shareholders (GM) will approve the remuneration policy of the Management Board and the Supervisory Board and its adjustments. The Supervisory Board is responsible for the implementation on this policy and for the approval of the general remuneration guidelines of FMO and the remuneration policy regarding the Identified staff members.

The Supervisory Board will report annually in the Annual Report about the remuneration policies regarding the Management Board and Identified Staff and about the remuneration practice.

More information about the responsibility of the SARC can be found on the website of FMO (www.FMO.nl Governance & Policies/ Supervisory Board/ Standing rules of the SARC).

In 2019, the SARC consisted of the following members:

- drs. D.J. (Dirk Jan) van den Berg (chair SARC as of 1 October 2017, appointed as SARC member as of 27 September 2016)
- Prof. dr. ir. P. (Pier) Vellinga (appointed as SARC member as of 1 January 2015)

- drs. F. Karimi (appointed as SARC member as of 31 October 2018. She resigned as per 10 June 2019, because of her appointment as member of the Dutch Senate)

Meetings SARC in 2019

The Supervisory Board appoints Management Board members, approves annual corporate targets as well as the annual (cost) budgets, and evaluates the performance of the Management Board as a whole, as well as the performance of the individual members. A proactive role was played by the SARC. During the three formal meetings held by the SARC in 2019, amongst others, the following important topics were discussed: succession planning in general and the succession of the SB Chair and of several other Supervisory Board members, target setting, remuneration and the establishment of the Impact Committee of the Supervisory Board and of the Executive Committee.

2. Remuneration Policy Identified Staff

General Remuneration principles FMO (identified) staff

The remuneration policy is designed to promote fair and consistent employee compensation, based on performance and an efficient job position classification system. Identified Staff members will not receive any variable compensation in the form of bonuses or profit sharing. As of January 2016, FMO discontinued a profit-sharing scheme for members of the Management Board and as of January 2017 for all other staff members.

All employees working within FMO, including Identified Staff members, are subject to the scope of the Collective Labour Agreement Banks (CLA Banks) and the compensation and benefits package as stated in the Personnel Guide of FMO. The remuneration structure implies a maximum salary for each position in the organization.

The annual performance management system is based on (individual and team) target setting related to the appropriate objectives that both put the interest of clients first and help ensure the long-term continuity and financial strength of FMO. Setting targets, measuring results and evaluating performance is part of this annual performance management cycle. The individual performance is evaluated and will result in the (potential) salary adjustment up to the maximum salary applicable to the position.

External benchmark surveys are regularly used to compare the level of remuneration with the relevant market. FMO aims to set its total remuneration around the median (what is the middle value of the selection) paid in the Dutch financial service industry, which is seen as the relevant market for comparable work. The job levels of all (Identified Staff) staff members are in part of these remuneration benchmark surveys.

The remuneration policy is in line with FMO's business strategy, our core values and the desired risk profile of FMO and it discourages (identified) staff members from taking non-desirable risks, nor does it reward failure or misconduct. At the same time, it allows FMO to attract and retain qualified staff, while encouraging employees to aim for long-term results that serve the long-term interest of our clients and the mission of FMO.

Remuneration Principles Management Board

FMO's remuneration policies are aligned with the requirements under external legislation and regulations, including the Dutch Banking Code, the RBB/Wft 2017 regulations, and the guidelines of the Capital Requirements Directives (CRD IV).

The Annual General Meeting of Shareholders established the remuneration policy for members of the Management Board. With respect to the fixed remuneration of the CEO the remuneration policy indicates a maximum salary level. Also the maximum salary levels of the other members of the Management Board are related to this maximum. These maxima will be adjusted in alignment with

salary adjustment in the Collective Labour Agreement (CLA Banks). Already existing agreements in favour of the employee, will continue to be respected in the future.

During the AGM 2019 (24 May 2019) a few elements of the remuneration policy have been adjusted in order to create alignment with updated regulations and with policies applicable to the rest of the staff of FMO. In summary, the following items have been amended:

- Discontinuation of the profit-sharing scheme (for Management Board members, already effective from 1 January 2016 and for the entire FMO staff as from 1 January 2017);
- For commuting in The Netherlands, members of the Management Board may also opt for a lease car, a NS business card or a fixed gross Mobility allowance;
- Discontinuation of individual Pension allowance and Mortgage Allowance for all employees joining FMO as from 1 January 2016. (Grandfathering existing allowances granted before 1 January 2016, applicable to one of the current Management Board members); and
- Alignment of the applicable notice period.

As from January 1, 2020 the maximum salary level of the CEO is set at EUR 288,991 gross. Members of the Management Board are not entitled to any form of variable remuneration.

Other elements of the remuneration consist of a pension scheme (based on a retirement age of 68 years, as of January 2018), the option to make use of a company car or mobility allowance, a fixed expense allowance to cover costs relating to the performance of their duties.

Employees employed by FMO in 2016 or before, continue to benefit from an existing fixed individual allowance for retirement (compensation as effect of changes in the Dutch tax framework regarding pension regulations) and/or a reimbursement of a proportion of a mortgage interest.

Members of the Management Board will be appointed for a period of 4 years and can be re-appointed twice in the same role. Welcome, retention and exit arrangements (if applicable) are reviewed by the SARC and in alignment with the approved remuneration policy and will not be excessive. Furthermore, FMO complies with all existing laws and regulations concerning the level of severance payments (maximum of one annual salary).

3. Remuneration Practice Identified Staff in 2019

The total base salary in 2019 of the Management Board of FMO amounts EUR 775,000. The costs for the total pension accrual - up to a fixed annual salary of EUR 107,593 - and the indexation of accrued pension entitlements, amounted EUR 107,000 in total, while in total EUR 32,000 was paid out as allowance for retirement. In total EUR 65,000 has been paid to Management Board members regarding other benefits (contribution to company car/mobility allowance, fixed expense allowance, all in alignment with the general fringe benefits within FMO).

Based on the CLA Banks a structural salary adjustment of 2.5% has been granted to the members of the Management Board and other staff members of FMO (including the Identified staff) as per 1 January 2019. More details on the individual remuneration of the members of the Management Board over 2018 can be found in the Annual Report of FMO 2018.

2019	(x 1,000 EUR)	Fixed income	Pension	Allowance for Retirement	Other²	Total
Supervisory Board (5) ¹		138	-	-	-	138
Management Board (3) ¹		775	107	32	65	979
Other Identified Staff (22) ¹		3,372	786	27	298	4,483
In total		4,285	893	59	363	5,600

¹ This Number of persons as per 31 December 2019 (staff changes during 2019 are included pro rata).

)² This relates to fixed reimbursements of expenses, contributions to a company car/ mobility allowance, compensations of interest on mortgages (only applicable for employees already in service of FMO on 31 December 2016).

2018	(x 1,000 EUR)	Fixed income	Pension	Allowance for Retirement	Other²	Total
Supervisory Board (6) ¹		125	-	-	-	125
Management Board (3) ¹		689	76	43	60	868
Other Identified Staff (19) ¹		3,016	491	34	384	3,983
In total		3,830	567	77	444	4,918

)¹ Number of persons as per 31 December 2018 (the presented data is related to MB members during 2018, included changes pro rata).

)² This relates to fixed reimbursements of expenses, contributions to a company car/ mobility allowance, compensations of interest on mortgages (only applicable for employees already in service of FMO on 31 December 2016).

Members of the Identified Staff are not eligible to receive any variable remuneration (bonuses).
Members of the Supervisory Board and the Management Board have no shares, options or loans related to the company.