



**REMUNERATION POLICY IDENTIFIED STAFF :  
NN INVESTMENT PARTNERS LUXEMBOURG S.A.**

**AS EFFECTIVE FROM 22 JULY 2013  
UPDATED VERSION AS EFFECTIVE FROM 1 JANUARY 2017**

# REMUNERATION POLICY OF NN INVESTMENT PARTNERS LUXEMBOURG S.A. IDENTIFIED STAFF 2017

## 1. INTRODUCTION STATEMENT

### 1.1 INTERPRETATION

In addition to terms defined elsewhere in this Remuneration Policy (hereafter the "**Remuneration Policy**"), the definitions in **Annex 1** (Interpretation) apply throughout this Remuneration Policy unless otherwise set forth herein.

### 1.2 THE LUXEMBOURG REMUNERATION POLICY FOR IDENTIFIED STAFF

The principles and provisions set out in this Remuneration Policy of NN Investment Partners Luxembourg S.A. (hereafter "**NNIP Luxembourg**" or the "**AIFM**" or the "**Management Company**") apply to Identified Staff of NNIP Luxembourg and its subsidiaries and affiliates, if any (for the avoidance of doubt the latter includes, *inter alia* business units and branches).

In case an Identified Staff member is or becomes an expatriate, the Long Term Assignment Policy, such as supplied to all eligible staff members, is followed in order to determine which local policy for Identified Staff is applicable.

### 1.3 SCOPE AND RELATION TO OTHER REMUNERATION DOCUMENTS

This Luxembourg Remuneration Policy for Identified Staff applies in addition to the Luxembourg Remuneration Policy of NNIP Luxembourg and the NN Group Remuneration Framework, which is applicable to All Staff and Control Functions. In case there is a conflict between the principles applicable to All Staff and the principles applicable to Identified Staff, the principles for Identified Staff prevail, unless it is explicitly stated otherwise in this NNIP Luxembourg Remuneration Policy.

The mechanism as regards exemptions, deviations or changes as described in paragraph 1.4. of the Luxembourg Remuneration Policy of NNIP Luxembourg also applies to this Luxembourg Remuneration Policy of NNIP Luxembourg for Identified Staff.

This Remuneration Policy applies to Identified Staff selected on the basis of and in accordance with the NN Group Remuneration Framework (hereafter "**Global Identified Staff**") and Identified Staff selected on the basis of and in accordance with local legislation (hereafter "**Local Identified Staff**"). If a staff member is designated Identified Staff in order to comply with global and local regulated requirements the most strict remuneration principles set out in this NNIP Luxembourg Remuneration Policy prevail.

## 2. PROPORTIONALITY PRINCIPLES

NNIP Luxembourg shall comply with the AIFMD and UCITS requirements in a way and to the extent that is appropriate to its size, its internal organisation and the nature, and the scope and the complexity of its activities.

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**Level of the AIFM/ Management Company**

**Number of employees, branches and subsidiaries**

The Management Company/ AIFM employs 45 employees (Full Time Equivalent) as per December 2016.

The Italian branch of the management company, acquired as of 3 June 2015, 6 employees (Full Time Equivalent) as per November 2016.

**AIF and UCITS managed**

<b>SICAV_NAME UCITS</b>	<b>TNA in EUR</b>
ING DIRECT	1,089,538,541.67
NN (L) Institutional	1,143,469,836.41
NN (L) International	1,166,926,617.70
NN (L) Liquid	5,251,571,756.51
NN (L)	25,973,212,459.90
NN (L) Patrimonial	1,301,666,474.68
NN (L) Protected	160,185,936.89
<b>TOTAL TNA UCITS:</b>	<b>36,086,571,623.76</b>
<b>SICAV NAME AIFs</b>	<b>TNA in EUR</b>
Multi-Strategy Portfolio	3,207,141,447.14
NN (L) CMF	1,003,632,859.85
NN (L) Flex	4,830,706,970.83
NN (L) II	128,877,025.42
Winning Funds	112,708,315.83
ING PRIVATE CAPITAL SPECIAL INVESTMENTS FUND S.C.A. SICAV-SIF	3,863,749
EOLE	66,335,769.04
<b>TOTAL TNA AIFs:</b>	<b>9,353,266,137.11</b>

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### Internal Organisation

#### Legal structure

NN Investment Partners Luxembourg S.A. is a management company created under Chapter 15 of the law of 17 December 2010 relating to Undertakings for Collective Investment and under Chapter 2 of the Law of 12 July 2013 relating to Alternative Investment Fund Managers.

#### Complexity of the internal governance

NNIP Luxembourg has a one tier governance model where the board of directors is responsible for the supervision of senior management. The current composition of the **board of directors** of the management company is as follows:

- Chairman, Country Manager, NNIP Luxembourg
- Director, Head of Technology and Operations, NNIP Luxembourg
- Director, Chief Operating Officer, NNIP Luxembourg
- Director, Head of Legal and Compliance, NNIP Luxembourg
- Director, Head of Finance, NNIP Luxembourg

The Head of Technology and Operations NNIP Luxembourg participates in four formal board meetings per annum. He is involved in all decisions that require board approval in between the formal board meetings.

The Chairman and the other Members of the board of directors of NNIP Luxembourg are full time employees of NNIP Luxembourg

The current **conducting officers/senior managers** of the management company are all being full time employees of the management company. They are responsible for the following areas:

- Country Manager: Legal & Compliance, Business Development, HR, Product management, Portfolio Management Oversight and Internal audit.
- Head of Risk: Risk Management. This appointment as conducting officer is subject to regulatory approval.
- Chief Operating Officer: Funds Control, Funds Solutions Delivery, and Technology.
- Head of Finance: Fund Fee Control (incl. distribution oversight), Finance & Tax and NN Investment Partners Luxembourg S.A. - Italy Branch.

The management committee (composed by the conducting officers) meets 2 times per month in Luxembourg and reports quarterly to the Board of Directors of the management company.

The management company further confirms it has:

- A procedures manual;
- Management information permitting the follow up of its activities and that of its delegates;
- Complaint handling procedures;
- Permanent compliance and risk functions;
- Internal audit function;
- A risk management process;
- Conflicts of interest policy;
- Voting rights policy;
- Rules of conduct procedures and policies;
- Remuneration policy.

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The management company confirms that there is a remuneration committee organized at NN IP group level as further detailed under section 5 of the “all staff remuneration policy”.

Listed on Regulated market of the AIFM/ Management Company or the AIFs/ UCITS it manages NN (L) Flex and NN (L) are listed on the Luxembourg Stock Exchange.

### **Nature scope complexity of activities**

#### Scope of authorized activities

The management company has been licenced for the activities of administration, marketing and collective portfolio management as listed in Annex II of the law of 17 December 2010.

The management company is not authorised for activities under Article 6(3) a) of the Directive 2009/65/EC, i.e. discretionary portfolio mandates.

NN IP Luxembourg has delegated under its supervision and control, portfolio management, administration and marketing activities.

NN IP Luxembourg has partially delegated the risk management activities to NN IP International Holdings B.V. for all funds currently managed and intended to be managed in the future irrespective of their country of domicile.

NN IP Luxembourg has further extended the marketing/ promotion in Italy and Austria of Luxembourg domiciled funds via the establishment of a branch, in accordance with Articles 16 to 21 of the Directive 2009/65/EC and Directive 2011/61/EU.

The branch provides local presence in Italy for the Luxembourg domiciled UCITS funds of NN IP Luxembourg, authorized for distribution in Italy and performs all regulatory and self-regulatory duties of an Italian branch of a foreign entity marketing Luxembourg collective investment schemes.

The branch does not represent any foreign collective investment schemes of third parties. It performs distribution and sales support activities and client relationship services to wholesale and institutional clients regarding Luxembourg domiciled UCITS in Italy.

Pursuant to article 33 of the AIFM Directive, NN IP Luxembourg is allowed, under the freedom to provide services on a cross-border basis in France and manages a French established dedicated fund (*fonds dédiés*) constituted as a general purpose investment fund(s) (Fonds d'investissement à vocation générale dédiés ("FIVG")) under the supervision of the French regulator.

#### Type of investment policies and strategies

##### UCITS:

- NN (L): Equity, Fixed Income and Mixed;
- NN (L) Institutional: Equity and Mixed;
- NN (L) International: Equity, Fixed Income and Money Markets;
- NN (L) Liquid: Fixed Income and Money Market sub-funds;
- NN (L) Protected: Capital Protected sub-funds;
- NN (L) Patrimonial: Funds of Funds;
- ING Direct: Equity, Fixed Income, Funds of Funds and Capital Protected sub-funds

For further details on the strategies, please refer to the funds risk analysis attached in Annex III. Based on said risk assessment, the majority of the funds are rated low and/ or medium; high risk rated funds remain an exception.

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### **AIFs:**

- NN (L) II: Capital Protected sub-funds;
- NN (L) Flex: Bond sub-funds + Other (Bank Loans for SLS and SBL);
- NN (L) CMF: Money Market sub-funds + Maturity sub-funds;
- MSP: Funds of Funds (Equity) + Funds of Funds (Bond) + Funds of Funds (Mixed);
- Winnings: Funds of Funds (Equity);
- SIF: Master Feeder (Private Equity) + Master Feeder (Infrastructure);
- EOLE: other equity fund;

### **National or cross border nature of business**

The funds are registered in the following countries:

### **AIFs:**

- NN (L) Flex: Luxembourg, Austria, Belgium, Denmark, Finland, France, Italy, Netherlands, Portugal, Spain, Sweden, UK, Romania and Singapore;
- NN (L) II: Luxembourg and Belgium;
- NN (L) CMF: Luxembourg, Belgium and Netherlands;
- MSP: Luxembourg and Belgium;
- Winning Funds: Luxembourg and Netherlands;
- SIF Private Capital Special Investments Funds S.C.A.: Luxembourg;
- EOLE: France.

### **UCITS:**

- NN (L): Luxembourg, Austria, Belgium, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Peru, Portugal, Romania, Spain, Singapore, Slovakia, Sweden, Switzerland, Korea, Taiwan, United Kingdom ;
- NN (L) Institutional: , Netherlands and Spain;
- NN (L) International: Luxembourg, Austria, Belgium, Chile, Czech Republic, Denmark, Finland, Germany, Greece, Hungary, Norway, Romania, Slovakia, Sweden, Netherlands;
- NN (L) Liquid: : Luxembourg, Denmark, Finland, France, Italy, Netherlands, Norway, Sweden, Spain, and Singapore;
- NN (L) Protected: Luxembourg, Greece and Belgium;
- NN (L) Patrimonial: Luxembourg, Austria, Belgium, Chile, Czech Republic, France, Greece, Hungary, Italy, Netherlands, Romania, Spain, Sweden, Slovakia, and Peru;
- ING Direct: Luxembourg and Italy.

Although funds are registered in 25 countries, marketing activities are delegated (with the exception of Italy and Austria) to NN Investment Partners B.V. The direct overall cross border activities of the management company are limited to Austria and Italy.

Due to our non-complex internal governance structure and the small and limited levels of variable remuneration, NNIP Luxembourg invokes the proportionality principle at the level of the individual with regard to variable remuneration of local Identified Staff: for variable remuneration as from the threshold limits as set by the Management Board NN Group with the approval of the Supervisory Board the multi-year deferral scheme of NN Group will be in place as mentioned under point 4 point viii of the “All Staff” policy NNIP Luxembourg and under point 5.2 of the “Identified Staff policy” NNIP Luxembourg.

According to the point 35 of the ESMA guidelines on sound remuneration policies under UCITS Directive, NNIP Luxembourg relies on the NNIP Compco and the NNIP FuncCo with regard to the preparation and review of the remuneration decisions of our local identified staff, in particular for the 4 conducting officers and the 3 control functions under the identified staff policy of NNIP Luxembourg following the remuneration governance framework in Annex II of the “All Staff” policy NNIP Luxembourg.

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### **3. SELECTION OF IDENTIFIED STAFF**

Local Identified Staff is selected and designated in accordance with article 13 of the AIFMD and in line with additional ESMA guidelines and Article 1(2) of UCITS Directive 2014/91/EU. The following positions are designated Local Identified Staff:

- a) Executive and non-executive members of the governing body of the AIFM/ Management Company (5 positions) (i.e. the “Authorized Management”):
  - Country Manager/Conducting Officer NNIP Luxembourg;
  - Chief Operations Officer/Conducting Officer NNIP Luxembourg;
  - Head of Legal & Compliance NNIP Luxembourg;
  - Head of Finance/Conducting Officer NNIP Luxembourg;
  - Head of Technology and Operations NN Investment Partners
- b) Senior Management acting as conducting officers (4 positions, also included under sub a)
  - Country Manager/Conducting Officer NNIP Luxembourg;
  - Chief Operations Officer/Conducting Officer NNIP Luxembourg;
  - Head of Finance/Conducting Officer NNIP Luxembourg
  - Head of Risk Management/ Conducting Officer NNIP Luxembourg
- c) The Control Functions (staff responsible for Risk Management, Compliance, Internal Audit) (3 positions):
  - Head of Legal & Compliance NNIP Luxembourg;
  - Senior Compliance Officer NNIP Luxembourg;
  - Head of Risk Management NNIP Luxembourg

Internal audit is delegated to Corporate Audit Services of NN Group located in the Netherlands.

- d) Staff responsible for heading up portfolio management, administration, marketing and HR (4 positions):
  - Chief Operations Officer/Conducting Officer NNIP Luxembourg (included sub a);
  - Head of Business Development Luxembourg NNIP Luxembourg;
  - HR Manager BeLux NNIP Luxembourg & Belgium S.A.
  - Country Manager/ Conducting Officer NNIP Luxembourg

The AIFM/ Management Company has delegated portfolio management to several external providers as outlined in chapter 7 and in Annex II of this policy. These delegates are in the scope of the AIFMD and UCITS V as outlined in Chapter 7. No other risk takers have been identified by NNIP Luxembourg.

Global Identified Staff is selected and designated by the Executive Board of NN Group in accordance with the selection methodology and criteria which have been approved by the Supervisory Board as set out in the NN Group Remuneration Framework.

### **4. PERFORMANCE MANAGEMENT PRINCIPLES FOR IDENTIFIED STAFF**

- 4.1 The performance management process for Global Identified Staff is a centrally designed coordinated activity with overall accountability for the process and its procedures at NN Group Human Resources In addition, and in close alignment with the NN Group process, procedures and guidelines NN IP designs and coordinates the performance management process for all Local Identified staff members who do not qualify as Global Identified staff.

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NN Group's Performance Management approach is designed to align with remuneration standards as described in the NN Group Remuneration Framework. The approach ensures:

- (i) the focus on performance;
- (ii) strong Leadership Behaviour is promoted; and
- (iii) reinforcement of the NN Group strategy (both long- and short term goals)

This is evidenced by the approach in which financial and non-financial objectives are included alongside leadership behaviours in the final overall performance rating of the individual.

The overall performance rating is a combined score, equally generated by:

- the achievement of performance objectives ("What")
- assessment of leadership behaviours ("How")

The result on the "What" is used as one of the inputs for determining individual Variable Remuneration. The "How" is assessed against the defined leadership profile of NN Group. No specific individual targets are set for the "How". The "How" score may lead to an adjustment when determining individual Variable Remuneration if this outcome falls significantly below a satisfactory level.

The overall performance assessment (based on the combined rating of the "What" and "How", each with a weighting of 50%) is used as one of the inputs for determining a merit salary increase (if any), however, the merit increase is not linked exclusively to the performance assessment as other factors such as market benchmark data and wage inflation are also considered.

- 4.2 The General Performance Management Principles – All Staff as set out in paragraph 3 of the NNIP Luxembourg Remuneration Policy also apply to Identified Staff. In addition, Identified Staff specific Performance Management Principles apply as listed below. In case there is a conflict between the principles applicable to all staff and to staff in Control functions and the principles applicable to Identified Staff, the principles for Identified Staff prevail.

- (i) the performance objectives ("What") must include both Financial and Non-Financial performance objectives according to the following balance:
  - (A) for Identified Staff in non-Control Functions as a guideline 50% Financial / 50 Non-Financial (major deviations from this guideline need to be justified);
  - (B) for Control Functions: maximum 15% Financial (e.g. budget responsibility)/ minimum 85% Non-Financial and subject to provision 4.2 (ii) set out below;
- (ii) staff in Control Functions will only have financial performance objectives that are not linked to the performance of the Business Unit they control;
- (iii) all performance objectives are reviewed by the Risk Function
- (iv) for staff in Control Functions at least 50% of the function specific objectives should be met in order to be considered eligible for Variable Remuneration;
- (v) the Remuneration of Local Identified Staff is overseen by the NNIP CompCo and the NNIP FuncCo (refer to the Remuneration Policy of NNIP Luxembourg).



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- 4.3 In addition the Remuneration Policy is based on the following performance principles:
- (i) alignment with strong and effective risk management as well as risk appetite of NNIP Luxembourg; and
  - (ii) supporting prevention of conflicts of interests; and
  - (iii) alignment of the long term business strategy of NNIP Luxembourg.

### **5. REMUNERATION PRINCIPLES FOR IDENTIFIED STAFF**

The following provisions apply to Identified Staff:

#### **5.1 Ratio of Fixed Remuneration to Variable Remuneration**

NNIP Luxembourg applies a proper balance between fixed and variable remuneration, aligned with relevant responsibilities, risk impact and level of the specific function, for the relevant business sector and region. The Fixed Remuneration of Identified Staff represents a sufficiently high proportion of the total Remuneration to compensate Identified Staff, in line with the level of expertise and skills required, for the relevant business sector and regions. As a result, NN Group and NNIP in respect of designated Identified Staff within NNIP Luxembourg are able to reduce Variable Remuneration to zero where and when necessary. Fixed and Variable components of total Remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total Remuneration to allow the operation of a fully flexible policy.

Employees will not obtain financial or non- financial remuneration that exceed the applicable levels of variable remuneration as set out in the NN Group Remuneration Framework.

#### **5.2 The deferral scheme of Variable Remuneration**

For the purpose of this paragraph any reference to Variable Remuneration excludes APB. Additionally, the provisions for Global Identified Staff are always leading (i.e. if a staff member of NNIP Luxembourg is designated both Local and Global Identified Staff then the Global Identified Staff provisions are applied).

Variable Remuneration for both Global and Local Identified Staff is always delivered subject to deferral scheme and to the (inter)national remuneration regulations in force. The deferral scheme parameters are applied prescriptively for Identified Staff given the need to ensure that a material portion of Variable Remuneration is deferred, and thus ensure that a material portion of Variable Remuneration remains subject to *ex post* risk adjustments. Specific components defining the deferral schedule that applies to Identified Staff are: (a) the proportion of the Variable Remuneration that is deferred, (b) the time horizon of the deferral and (c) the deferral instruments that are used (equity-linked instruments or NN IP Investment Entitlements that align the value of the deferral with the performance of NN Group or its products).

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### **a) Proportion of Variable Remuneration deferred**

#### **(i) If the position qualifies as Local Identified Staff (proportionality having been applied)**

The portion of Total Variable Remuneration in excess of EUR 100.000 is always subject to deferral as set out in chapter 4 viii of the Luxembourg Remuneration Policy of NNIP Luxembourg applicable to All Staff and Control Functions. A threshold limit below EUR 100.000 (stricter) can be instructed by the NN Group Executive Board with the approval of the Supervisory Board.

#### **(ii) If the position qualifies as Global Identified Staff**

The ratios between the upfront and deferred portion of the Variable Remuneration are linked with job position in order to apply differentiation across Global Identified Staff roles in scope and to align with the different levels of responsibility and thus risk impact. The minimum deferred portions of the total Variable Remuneration are:

- |  |                         |
|--|-------------------------|
| (i) NN Group Management Board              | : at least 60% deferred |
| (ii) Management Team and Control Functions | : at least 50% deferred |
| (iii) Other Global Identified Staff        | : at least 40% deferred |

### **b) Time horizon of the deferral**

For both Global and Local Identified Staff

The deferral period always starts at the moment the upfront part of the Variable Remuneration is paid-out / awarded. The deferral period ends when the last Variable Remuneration has vested. The minimum deferral period is three years, applying a tiered vesting schedule. The vesting of deferred Variable Remuneration takes place on a yearly basis, with an equal portion of Variable Remuneration (cash or equity-linked instruments) vesting each year. The first deferred portion of the Variable Remuneration shall not vest sooner than 12 months after the start of the deferral period.

In the event of an early termination, any outstanding Variable Remuneration either vests or lapses in accordance with the deferral scheme set out in this paragraph 5.2. For such lapse or vesting, reference is made to the Alignment Remuneration Plan of NN Group (ARP). In case of death of a (ex) staff-member, accelerated vesting of the outstanding Variable Remuneration takes place.

### **c) Deferral instruments**

#### **(i) If the position qualifies as Local Identified Staff (proportionality having been applied)**

A minimum of 50% of the deferred Variable Remuneration for all Local Identified Staff must be awarded in NN IP Investment Entitlements (a representative mix of funds managed by NN IP), with the remainder being awarded in cash or equity-linked

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instruments. Neither dividends nor interests are paid on the deferred instruments before vesting.

### **(ii) If the position qualifies as Global Identified Staff**

A minimum of 50% of the deferred Variable Remuneration for all Global Identified Staff must be awarded in equity-linked instruments, with the remainder being awarded in cash or NN IP Investment Entitlements (a representative mix of funds managed by NN IP). Neither dividends nor interests are paid on the deferred instruments before vesting. In the event that a staff member qualifies as both Global Identified Staff as well as Local Identified Staff, the deferral instruments requirement for Global Identified staff will prevail.

### **5.3 Pay Out of upfront Variable Remuneration in equity-linked instruments or NN IP Investment Entitlements and the Retention Period applicable to Identified Staff**

This paragraph sets out the requirements with regards to the delivery of the upfront (i.e. non deferred) Variable Remuneration for both Global and Local Identified Staff.

#### **Global Identified Staff**

Further alignment of staff interests with those of NN Group's stakeholders is accomplished by the pay out of a minimum of 50% of the upfront portion (i.e. non-deferred) of the Variable Remuneration as awarded to Global Identified Staff in equity linked instruments of NN Group, with the remainder being paid in cash.

Additionally, the alignment of the Remuneration with the long term interests of NN Group is accomplished by the application of a Retention Period for all equity-linked instruments (whether upfront or deferred) awarded to Global Identified Staff as part of the Variable Remuneration (whether upfront or deferred):

for the NN Group Management Board, with respect to the upfront and deferred portion a Retention Period of five years following the date of award applies; and

for the other Identified Staff, with respect to the upfront and deferred portion a Retention Period of one year following the date of award respectively the date of vesting applies.

#### **Local Identified Staff**

Further alignment of staff interests with those of (customers of) NN IP and other stakeholders is accomplished by the pay-out of a minimum of 50% of the upfront proportion (i.e. non-deferred) of the Variable Remuneration as awarded to Local Identified Staff in NN IP Investment Entitlements, with the remainder being paid in cash.

Additionally, the alignment of the Remuneration with the long term interests of (customers of) NN IP is accomplished by the application of a Retention Period for all NN IP Investment Entitlements (whether upfront or deferred) awarded to Local Identified Staff as part of the Variable Remuneration (whether upfront or deferred):

- a) for the NN Group Management Board, with respect to the upfront and deferred portion a Retention Period of five years following the date of award applies; and

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- b) for the other Identified Staff, with respect to the upfront and deferred portion a Retention Period of one year following the date of award respectively the date of vesting applies.

### Global and Local Identified Staff

In the event that a staff member qualifies as both Global Identified Staff as well as Local Identified staff, the upfront equity linked instruments requirement for Global Identified staff will prevail.

### Taxes

Where taxes (and social security contributions) on income from employment are due at vesting according to the applicable local tax (and social security) legislation, a relevant portion of the equity-linked instruments or NN IP Investment Entitlements is withheld and the cash value of the withheld shares at vesting is used to settle any tax withholding requirements related to those equity-linked instruments or NN IP Investment Entitlements that occur at the point of vesting.. Any vesting remains subject to *ex-post* risk adjustments, but only to the extent that the net delivery to Identified Staff is a minimum of zero. NN Group ensures that risk mitigating measures are properly applied in the context of sell to cover including, *inter alia*, the application of *ex post* Hold back and Claw back as described in paragraph 5.3.

### 5.4 Performance measurement, *ex post* Risk Adjustment and Capital Test

The performance assessment of Identified Staff, the Business Unit NNIP and NN Group as a whole extends beyond the date that Variable Remuneration awards are made and continues as part of a multi-year framework of at least three to five years. In this way a longer-term horizon is established that ensures that Variable Remuneration continues to remain 'at risk' due to any issues or staff behaviours that were not apparent (or foreseen) at the time Variable Remuneration was awarded.

In order to achieve the above, NN IP Luxembourg and/or NN Group has the right to:

- (i) Adjust up to a maximum of 100% of the unpaid or unvested Variable Remuneration from any current or former Identified Staff to an appropriate level if payment or vesting thereof would, according to standards of fairness and reasonableness, be unacceptable;
- (ii) Hold back ( by way of malus) 100% of the unpaid or unvested Variable Remuneration from any current (or ex-) Identified Staff in the circumstances stated within the All Staff policy under point 4.1. as well as in the following circumstances:
  - a) in the event of significant negative changes in the economic and regulatory Capital Base; or
  - b) in the event of specific conduct which has led to the material re-statement of NN Group's annual accounts and/or significant (reputational) harm to the NN Group or any of its subsidiaries or affiliates; or
  - c) if any other material new information arises that would have changed the original determination of the award of Variable Remuneration to that individual if it were known

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at the time of the award; such reassessment is also based on the criteria applied the original award.

- (iv) Claw back up to a maximum of 100% of any paid or vested Variable Remuneration from any current (or ex) Identified Staff in the circumstances stated within the All Staff Remuneration Policy under point 4.2.

### **6. OTHER POLICIES APPLICABLE TO IDENTIFIED STAFF**

Where provisions of any other applicable policies deviate from this Luxembourg Remuneration Policy for Identified Staff of NNIP Luxembourg, the latter shall prevail and the provisions of this Luxembourg Remuneration Policy for Identified Staff of NNIP Luxembourg shall supersede the provisions from other applicable policies, with the exception for the Global Identified staff where the NN Group Remuneration Framework prevails

### **7. DELEGATION OF ACTIVITIES**

When delegating portfolio management or risk management activities NNIP Luxembourg ensures that the delegated entities are subject to regulatory requirements on Remuneration that are equally as effective as those applicable under the AIFM/ UCITS or that appropriate contractual arrangements are in place preventing circumvention of requirements of the guidelines in relation to payments made to the delegates' Identified Staff as compensation for the performance of portfolio or risk management activities on behalf of NNIP Luxembourg.

### **8. IMPLEMENTATION**

The commencement date of this Luxembourg Remuneration Policy of NNIP Luxembourg is 23 July 2013 The NNIP Luxembourg Remuneration Policy is reviewed and updated according to the new NN Group Remuneration Framework and the rebranding of our activities and approved by the Supervisory Board on 10 June 2015.

Further to the implementation of UCITS V, it enters into effect retrospectively on 1 January 2017 for the performance review period covering 2017.

The NNIP Luxembourg Remuneration Policy is reviewed and updated according to the new NN Group Remuneration Framework and UCITS V regulatory requirements and approved by the Supervisory Board on 09 May 2017 and by the Supervisory function on [...] 2017.

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## ANNEX I

### Interpretation

#### 1. GENERAL

- 1.1 The singular shall include the plural and vice versa and references to words importing one gender will include both genders.
- 1.2 References to the word "including" shall be deemed to read "including without limitation".
- 1.3 Where in this agreement a French term is given in italics and/or in brackets after an English term and there is any inconsistency between the French and the English, the meaning of the English term shall prevail.

#### 2. DEFINITIONS

The following terms as used in this agreement and the schedules hereto, shall have the following meanings:

**AIF** means alternative investment fund;

**AIFM** means alternative investment fund manager;

**AIFMD** means alternative investment fund managers directive 2011/61/EU;

**Allowances** means the annual contractual fixed amount of compensation that are awarded as a top up to Base Salary however are determined separately to Base Salary and have an impact that is different to Base Salary with regard to Benefits (e.g. pension) and other terms and conditions (e.g. severance determination). For the avoidance of doubt Buy Out is also considered as an allowance until such time it has been fully paid out. The non-pensionable allowances (e.g., transitional allowances, international assignment allowances and personal allowances) are regarded Fixed Remuneration.

**APB** ("Additional Payments and benefits") means any additional payments and benefits that are not agreed upon on an individualized basis, but that are part of a general, non-discretionary, agreement or institution-wide policy, which agreement or policy has been agreed with the trade unions or other staff representatives, such as existing Collective Labour Agreements. APB are not considered as variable remuneration

**Base Salary** means the annual contractual fixed amount of compensation paid in cash or awarded in fixed shares directly or indirectly by our on behalf of NN Group in exchange for professional services rendered by staff of NN Group, excluding Allowances, Benefits, Buy Outs, guaranteed Variable Remuneration or any other form of compensation;

**Benefits** means employee benefits (often also referred to as fringe benefits or perquisites) which are awards (either in kind or resulting in cash) which are provided on top of Base Salary and Allowances and are not short term incentives based upon Collective Labour Agreements, Conditional short term incentives, Discretionary short term incentives, Commission, long term incentives, Buy Outs, Sign-on or Retention awards.

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Benefits include, but are not limited to: retirement benefits (e.g. pension), housing (employer-provided or employee-paid), group insurance (health, dental, life etc.), disability income protection, day care, tuition reimbursement, sick leave, vacation (paid and non-paid) etc.

**Business Units** means the business units operated by NN Group: Netherlands Life, Netherlands Non-Life, NN Bank, NN Re-Insurance Corporate staff departments, NN Investment Partners, Insurance International and Japan Life,, individually a Business Unit;

**Buy Out** means an award made on joining to compensate for unvested remuneration awarded by a previous employer that is forfeited as a direct result of leaving that employer and becoming an employee of ( a subsidiary or affiliate of) NN Group, evidenced by documentation;

**Capital Base** means the capital base of NN Group;

**Capital Test** means the analysis done to secure that the total Variable Remuneration request and any deferred Variable Remuneration payments do not limit NN Group's ability to maintain an adequate Capital Base;

**Claw back** means demanding full return of paid or vested variable remuneration from any current or ex-employee in certain circumstances, following strict criteria as set out in the NNIP Luxembourg and NN Group Remuneration Framework;

**Compco** means the compensation committee of NNIP and NN Group N.V.

**Control Functions** means all staff working in either the Human Resources-, Legal, Risk Function-, Finance-, and Corporate Audit Services department;

**Control Functions CompCo** is FuncCo means the compensation committee overseeing remuneration of the staff of NNIP in control functions, including staff in Control Function that also qualify as Global or Local Identified Staff.

**Discretionary Pension Benefits** means one-off enhanced pension benefits granted on a discretionary basis by NN Group to a staff member as part of that staff member's Variable Remuneration package, which do not include accrued benefits granted to a staff member under the terms of a company pension scheme as well as bonus waivers into pension as permitted under the pension rules.

**Employees** means all employees or staff that have an employment agreement with (one of the subsidiaries or affiliates of) NN Group and shall include the persons that are employed at NN Group other than on the basis of an employment agreement (such as freelancers and temporary workers

**Executive Board** means the executive board of NN Group N.V.

**ESMA** means European securities and markets authority;

**Fixed Remuneration** means Base salary, Allowances and Benefits (to the extent that these are not linked to performance);

**Identified Staff** means staff of NN Group, as selected by the Executive Board on the basis of and in accordance with the selection methodology and the criteria approved by the Supervisory Board including members of the Management Board who are not also a member of the Executive Board and including senior management staff in Control Functions). For the purpose of AIFMD/ UCITS Identified Staff means staff as selected by the NNIP CompCo/FunCo whose

## **REMUNERATION POLICY OF NN INVESTMENT PARTNERS LUXEMBOURG S.A. IDENTIFIED STAFF 2017**

professional activities have a material impact on the risk profile of the AIFM/ Management Company or the AIFs/ UCITS it manages and categories of staff of the entity(ies) to which portfolio management or risk management activities have been delegated by the AIFM/ Management Company, whose professional activities have a material impact on the risk profile of the AIF/UCITS that the AIFM/ Management Company manages;

**Malus** means an arrangement that permits the AIFM/ Management Company to prevent vesting of all or part of the amount of a deferred remuneration award in relation to risk outcomes or performances of the AIFM/ Management Company as a whole, the business unit, the AIF/ UCITS and, where possible, the staff member. Malus is a form of ex post risk adjustment;

**Management Board** means the management board of NN Group N.V.;

**Management Company** means a management company created under Chapter 15 of the law of 17 December 2010 relating to Undertakings for Collective Investment, as amended from time to time;

**Material** means in the mutual interest of NN Group or having a great importance, or having current or future impact or consequences for NN Group whether financial or non-financial, including reputational, with the provision that any deviation with a minimal adverse effect of 1% of the approved MTP staff costs for the NN Group in any case qualifies as material. For the purpose of AIFMD material means a significant impact on the AIFMs results and/or balance sheet and/or on the performance of AIFs;

**MTP** means Medium Term Plan;

**NN Group** means NN Group N.V. and its subsidiaries and affiliates. For the avoidance of doubt, the latter includes inter alia business units, Business Unit and branches, including those established in offshore financial centres in the United States and Asia, however excludes the business line Parcom Capital.

**NN Group Remuneration Framework** means the principles and provisions set out in the remuneration framework of NN Group applied to the NN Group;

**NN Investment Partners** means NN Investment Partners Holdings N.V. and its subsidiaries and its subsidiaries (for the avoidance of doubt, the latter includes inter alia business units, business lines and branches).

**RemCo** means the Remuneration committee of the Supervisory Board.

**Remuneration** means all forms of awards, payments or benefits made directly or indirectly by or on behalf of NNIP in exchange for professional services rendered by staff of NN Group, which is subject to audits performed by Corporate Audit Services.

**Remuneration Policies** means all Remuneration Policies within NN Group including, inter alia, variable remuneration schemes

**Retention Period** means an additional holding period after vesting of upfront and deferred equity-linked Variable Remuneration;

**Risk Function** means the Risk Management and the compliance part of the legal & compliance department of NN Group jointly;



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**Severance Payment** means compensation for loss of office, in case of early termination (not for cause réelle et sérieuse or a dismissal with notice period according to the Luxembourg Labor Code) of the contract by the employing entity and does not qualify as Variable Remuneration. Severance payment does not include, in the NNIP Luxembourg Remuneration Policy, the severance indemnity (indemnité de départ) to be paid in accordance with the provisions of the Luxembourg Labor Code and the Collective Bargaining Agreement and calculated according to seniority of the employee in the company or the group of undertakings, if needed;

**Special Incentives** means any type of Variable Remuneration not otherwise specifically defined in this document;

**Supervisory Board** means the Supervisory Board of NN Group N.V.;

**Supervisory function** means the relevant persons or body responsible for oversight of the Luxembourg Remuneration Policies and for the assessment and periodical of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with the obligations under the AIFMD and other relevant legislations;

**Total Compensation** means the sum of Fixed Remuneration as at the end of a performance year and all Variable Remuneration awarded in relation to that performance year.

**UCITS** means Directive 2014/91/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions.

**Variable Remuneration** means Remuneration consisting of additional awards, payments or benefits depending on performance or, in certain cases, other contractual criteria, whether discretionary or non-discretionary including, inter alia, Collective Bargaining Agreement performance payments, joining bonuses, Special Incentives, excluding APB.

**Variable Remuneration Scheme** means bonus plans, share participation plans, equity-linked instruments plans and profit-sharing plans.

Signed on behalf of NNIP Luxembourg by:

The Supervisory function (Board of Directors) of NNIP Luxembourg

Date: May the 9<sup>th</sup> 2017

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**ANNEX II**

**Entities to which activities are delegated**

***Portfolio Management***

**EOLE:**

- Voya Investment Management Co. LLC

**NN (L) Flex:**

- Voya Investment Management Co. LLC
- NN Investment Partners B.V.

**NN (L) II:**

- NN Investment Partners B.V.

**Multi Strategy Portfolio:**

- NN Investment Partners B.V.

**Winning Funds:**

- NN Investment Partners B.V.

**NN (L) CMF:**

- NN Investment Partners B.V.

**NN (L):**

- NN Investment Partners B.V.
- NNIP Advisors B.V.
- NN Investment Partners (Singapore) Ltd.
- Voya Investment Management Co. LLC
- Nomura Asset Management Co. Ltd.

**Sub-Investment Manager**

- NN Investment Partners North America LLC

**NN (L) International:**

- NN Investment Partners B.V.
- NN Investment Partners C.R., a.s.

**NN (L) Liquid:**

- NN Investment Partners B.V.

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**NN (L) Protected:**

- NN Investment Partners B.V.

**ING Direct:**

- NN Investment Partners B.V.
- NNIP Advisors B.V.
- State Street Global Advisor Limited (U.K.)
- Deutsche Asset & Wealth Management Investment GmbH

**Sub-Investment Manager**

- NN Investment Partners North America LLC.

**NN (L) Patrimonial**

- NN Investment Partners B.V.

**NN (L) Institutional:**

- NN Investment Partners B.V.

### **ANNEX III**

#### **Fund Risk Analysis for application of proportionality principle**

**Please refer to further attachments to this policy.**