

# Extract of the International Remuneration & Nomination Policy 2022

## 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 **nomination** 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 principles guiding our remuneration and nominating and the way to proceed when establishing the remuneration and nomination for (individual) co-workers. This Policy is a revision of the International Remuneration Policy which was approved by the Supervisory Board on 12 November 2021. This revised Policy incorporates the current European and Dutch legislation, remarks of the Remuneration 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 9 December 2022.

## 2. Scope

The Policy is prepared by the Group Director HR and serves as a framework for all local policies and is applicable to all Operating Units of Triodos Bank Group<sup>1</sup>, i.e. Head Office and the Business Units. The local Human Resources (HR) departments will set up local policies according to local legislation and practices within the framework of the International Remuneration & Nomination Policy.

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. Following the implementation of the European Regulation 2019/2088 on Sustainability Financial Disclosures Regulations (SFDR) Triodos Bank is required to provide ESG disclosure with respect to its remuneration policies as of 10 March 2021. The International Remuneration & Nomination Policy fulfils these requirements.

### *References to other documents*

This Policy takes into account others the following external core regulations:

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<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 .

- Regulation of De Nederlandsche Bank N.V. of 16 September 2021 on Sound Remuneration Policies pursuant to the Financial Supervision Act (*Regeling beheerst beloningsbeleid Wft 2021* or “Rbb”);
- Act on the Remuneration of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen* or “Wbfo”);
- Financial Supervision Act (*Wet op het financieel toezicht* or “Wft”);
- Capital Requirements Directive (CRD V)
- EBA Guidelines on remuneration, 2 July 2021
- GRI standards for sustainability reporting, revised by GRI 2-21: General Disclosures 2021;
- EBA Guidelines on remuneration of sales staff, 28 September 2016
- ISS proxy guidelines
- Eumedion Alerts

### 3. General Principles

Triodos Bank’s mission is to help create a society that promotes people’s quality of life and that has human dignity at its core. This is also reflected in our general principles on remuneration and nomination:

- Fair and relatively modest remuneration for all co-workers to enable a decent living.
- Every co-worker contributes to the results of the organisation according to his or her abilities.
- Remuneration is based on the principle that the bank’s results are the joint accomplishment of all co-workers. Therefore, we do not pay bonuses related to targets.
- Remuneration and nomination policies and practices are in line with the risk appetite of the bank.

#### 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 organisation. The same terms and conditions of employment apply to all co-workers in line with national legislation. Remuneration within Triodos Bank is neutral for all co-workers, regardless of aspects such as gender, ethnic background, age, sexual orientation or distance to the labour market.

In our view remuneration enables co-workers to earn a decent living and to contribute to the organisation 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. The ratio between the highest

paid co-worker to the median (the median is defined excluding the highest full-time salary) of the compensation for all co-workers is monitored and yearly published in the co-worker report and the remuneration report. This is in line with the GRI standards.

Variable components are very limited (in numbers), modest (in amount) 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 realising 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 financial and sustainability risk appetite of Triodos Bank. As elaborated in the Sustainability Risk Policy and Financial Risk Management Policy, the management of financial and as such sustainability risks is integrated across all levels of the business and periodically reassessed.<sup>2</sup>

In line with the mission, creating sustainable impact by addressing the intrinsic motivation of our co-workers, Triodos Bank chooses not to have bonuses (such as variable remuneration based on predetermined financial 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 co-workers. 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**

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<sup>2</sup> Reference is made to our investment strategy. All the investments, direct or indirect, adhere to the Triodos Minimum Standards, which are listed on Triodos website and continuously updated. As well as the minimum standards, Triodos Bank demands full transparency in the policies and the sustainable objectives pursued by the underlying investee companies so as to perform an adequate and continuous due diligence of the investments. This approach enables a continuous and consistent consideration of Sustainability risks by the asset managers.

- 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. Salary tables within Triodos Bank are well balanced between the highest and lowest scale, based on the notion that all co-workers contribute to the results of our organisation in accordance with their abilities. Furthermore, Triodos Bank aims to stay in line with the financial market. Therefore, maturity levels, within salary scales, especially in the lower and middle part of the remuneration spectrum aim to be 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. Co-workers are assigned to a job family and job level. On this basis, co-workers are linked to a salary scale.

The salary table of each country contains the following elements:

- Number of scales correspond with the Job Family matrix;
- Each grade has defined 5-20 steps or a midpoint, minimum and maximum;
- The scales represent valuation points according to an acceptable scaling approved by a professional service provider and are in line with Job Family matrix;

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 Remuneration Committee of the Supervisory Board is consulted.

### *Increases*

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

Annual individual increases are mainly based on the general notion that the co-worker has gained an extra year of experience and has increased their contribution to Triodos Bank accordingly and are based on the applicable salary table. 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. A promotion can also be considered an exceptional circumstance for which deviation is allowed.

#### **4.1.b. Pension rights**

Triodos Bank provides a pension plan. 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. Local HR will be able to properly define the eligibility of a co-worker for a Token of appreciation, as well evidence approvals. A 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. 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 an Operating 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 CRD and EBA guidelines, it is forbidden for co-workers to hedge these Tokens of Appreciation.
- Triodos Bank applies the rules on remuneration, , in a proportionate manner in line with CRD V, EBA guidelines and the Wft,. Because the Tokens of Appreciation involved 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 as it remains below the legal thresholds

*Claw back arrangements:*

Up to 100 % of the Tokens of Appreciation is subject to claw back arrangements, in accordance with the EBA Guidelines. Criteria triggering such a claw back are - in particular - situations where in hindsight:

- i. there is evidence of misbehaviour, fraud, misleading or inaccurate information - information that if it would have been fair and accurate would have led to a materially different decision within the Operating Unit, - or breach of the Triodos Bank Business Principles or other Triodos In-house Regulations by a co-worker regardless of whether caused intentionally or as a result of gross negligence;
- ii. the co-worker participated in or was responsible for conduct which resulted in significant losses to Triodos Bank.

The Executive Board can apply these claw back arrangements up to two years after the Token of Appreciation was paid out.

**4.2.b. Welcome and severance payments**

Under exceptional circumstances welcome or severance payments can be granted.

Welcoming payments, including sign-on bonus and , 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 as guaranteed variable remuneration.

Severance payments should be in line with the principles of this Policy. If local legislation is available, these should be followed. Severance payments should provide for an appropriate compensation of the termination of the employment contract and should never reward failure or misconduct.

Severance payments are never paid out in the situation of:

- i. Early termination of the employment contract at the sole 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.
- ii. Serious negligence in the fulfilment of a co-worker's position which legally allows for the immediate cancellation of the employment contract and dismissal.

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 internal remuneration report.

Severance payments to other co-workers do not exceed one year's salary, unless local legislation requires otherwise. If a severance payment or other special remuneration during a given financial year is rewarded, an account and an explanation of this remuneration is included in the internal remuneration report.

Severance payments are not considered to be variable remuneration, subject to all requirements for variable remuneration, if the severance payment meets the requirements set out in paragraph 172 of the EBA Guidelines.

## **5. Additional provisions for defined roles and positions on nomination, dismissal, remuneration and appraisal**

For co-workers that hold a specific role within Triodos Bank, particular rules with respect to nomination, dismissal, remuneration and appraisal apply. Purpose of identifying these roles and positions is, amongst others, to ensure their integrity and independence. In general, nomination, dismissal, remuneration and appraisal of the responsible co-workers in these roles or positions cannot be decided by the manager alone; others need to be involved.

## **6. Reporting**

Annually the Group Director HR drafts the internal remuneration report which discloses information on remuneration within the different Operating Units, further specified to target groups depending on availability of data and relevance.

Triodos Bank discloses specific information on remuneration externally. Annually, this information is reported in the annual report or other reports as published on the website of Triodos, in accordance with article 450 of the Capital Requirements Regulation (CRR), also when remuneration components are not applicable within Triodos Bank.

## **7. Ownership and maintenance**

This Policy will be reviewed on an annual basis. The execution of this Policy will be audited by Internal Audit on an annual basis.