

## FMO AND THE DUTCH BANKING CODE

The Banking Code came into effect on 1 January 2010. The Banking Code was drawn up by the Netherlands Bankers' Association (NVB) in response to the report entitled „Restoring Trust“, which was published by the Advisory Committee on the Future of Banks on 7 April 2009. The Banking Code mainly relates to the functioning of Managing Boards and Supervisory Boards specifically in a banking context with risk management, audit and remuneration receiving particular attention.

The Banking Code applies to all activities performed by banks that are in possession of a banking license granted under the Financial Supervision Act, irrespective of whether they perform their activities in the Netherlands or in another Member State, and irrespective of whether those activities are performed by a branch. The Banking Code therefore applies to FMO.

The principles of the Banking Code are based on the Dutch Corporate Governance Code, which applies to listed companies having their registered seat in the Netherlands. FMO applies the Dutch Corporate Governance Code on a voluntary basis since FMO is a non-listed bank.

Compliance with the Banking Code is monitored annually by an independent monitoring committee appointed by the NVB in consultation with the Dutch Minister of Finance.

Albeit FMO's boards are well aware that complying with the Banking Code is not a case of „ticking off boxes“, FMO would like to provide the reader with a full explanation. As a starting point, the verbatim text of the Banking Code is entered into this document and under each principle FMO has described (*in italic type*) to what extent and in which fashion FMO applies that principle.

In the interest of readability, please find two terms briefly explained below:

- “Risk appetite” refers to the amount of reasonably foreseeable risk that the bank – given its proposed activities – is prepared to accept in the pursuit of its objectives.
- The term “Product Approval Process” refers to the procedure by which the bank decides whether a particular product will be produced or distributed at its own expense and risk or for the benefit of its clients. This process comprises extensive testing in relation to aspects of the duty of care and risk management.

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## 1 Compliance with the code

The Banking Code uses the „comply or explain“ principle, which means that banks shall apply the principles of the Banking Code. The application of the principles depends in part on the activities and other specific characteristics of the bank (and of the group if the bank is part of a group). There are differences in many areas between the banks that are covered by the Code. For example, they have different corporate governance structures, operate in different markets or submarkets and may have a national or international focus. Departures from the Code, if substantiated, can therefore be justified.

## 2 Supervisory Board

### 2.1 Composition and expertise

2.1.1 The supervisory board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board, independence and diversity are preconditions for the supervisory board to perform its tasks properly. *FMO complies with this principle. The principle has been detailed in FMO's Standing Rules of the Supervisory Board and in the profile of the Supervisory Board, which are available on FMO's website. FMO's Supervisory Board is composed of members with different backgrounds which complement each other. The resumes of these members can be found in the Annual Report published on FMO's website. New members of the Supervisory Board follow an introduction program to prepare them for their role at FMO.*

2.1.2 The supervisory board shall have a sufficient number of members to properly perform its function, including in its committees. The appropriate number of members depends on the nature, size and complexity of the bank. *FMO complies with this principle. FMO's Supervisory Board consists of six members. Taking FMO's nature, size and complexity into account, six members are considered to be sufficient.*

2.1.3 The members of the supervisory board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank. The supervisory board shall carefully consider the interests of all parties involved in the bank, such as the bank's clients, its shareholders and its employees. *FMO complies with this principle.*

*FMO's members of the Supervisory Board come from the financial sector and various segments of society. Their resumes can be found in the Annual Report published on FMO's website. Furthermore, the members of the Supervisory Board visit FMO's Clients in their initial period. In principle, all members are present at the Annual General Meeting of Shareholders and at least twice a year, one or more members meet with FMO's Works Council.*

2.1.4 Each member of the supervisory board shall be capable of assessing the main aspects of the bank's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member of the supervisory board shall also possess the specific expertise needed to perform his or her role in the supervisory board. To this end, whenever a vacancy arises on the Supervisory Board, an individual profile shall be drawn up for the new member of the board.

FMO complies with this principle. FMO's Supervisory Board profile warrants that the Supervisory Board as a body is capable of judging the risks which FMO encounters and managing these risks. It is expected that every member of the Supervisory Board is capable to judge the basic risks of a bank and risk policies of FMO in particular, and is capable to form a balanced and independent opinion about those basic risks. Since risk management is an important and also a changing field, FMO's lifelong learning program pays a great deal of attention to risk issues.

*As mentioned in principle 2.1.1. and also in the Dutch Corporate Governance Code, diversity is an important precondition to perform Supervisory Board tasks properly. Since FMO is a bank with a specific mission, the individual members of the Supervisory Board who were selected, possess long term experience and knowledge in the field of areas such as corporate governance, sustainability, social issues, international affairs and politics. The Supervisory Board evaluates its profile on a regular basis to be able to draw conclusions regarding its own composition, size and work methods.*

2.1.5 As part of the process to fill the vacancy of chairman of the supervisory board, an individual profile shall be drawn up that also focuses on the bank's requirements in terms of expertise and experience in relation to the financial sector and familiarity with the socio-economic and political culture and the social environment of the bank's main markets.

*FMO complies with this principle. The profile of the Chairman of the Supervisory Board is tailored according to this principle. For more information please refer to the short biography of the Chairman, which can be found in the Annual Report published on FMO's website.*

2.1.6 Each member of the supervisory board – the chairman in particular – shall be sufficiently available and contactable to properly perform his or her tasks in the supervisory board and the supervisory board's committees.

*FMO complies with this principle. All members of the Supervisory Board of FMO are sufficiently available to perform their tasks properly. Attendance to meetings of the Supervisory Board and its committees, such as the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee, is practically 100%. Besides the regular meetings of the Supervisory Board and its Committees, the Chairman has monthly meetings with FMO's CEO in addition to ad-hoc meetings, if desirable.*

2.1.7 Each member of the supervisory board shall receive suitable compensation for the amount of time that he or she spends on supervisory board activities. This compensation shall not depend on the bank's results.

*FMO complies with this principle. FMO does not compensate members of the Supervisory Board with performance related pay, shares or loans. The principle of market conformity is leading when determining the remuneration of the Supervisory Board. The remuneration of members of the Supervisory Board is determined by the General Meeting of Shareholders.*

2.1.8 The chairman of the supervisory board shall organize a program of lifelong learning, with the aim of maintaining the expertise of the supervisory board directors at the required standard and improving their expertise where necessary. The learning program shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits. Every member of the supervisory board shall take part in the program and meet the requirements of lifelong learning.

*FMO complies with this principle. The Chairman of the Supervisory Board takes care of good functioning of the Supervisory Board. Therefore, annually the Selection, Appointment and Remuneration Committee prepares a new lifelong learning plan for board members. The Supervisory Board discusses and approves this plan, while taking the requirements of the Banking Code with regard to the subjects into account. Usually the approval takes place in the December meeting of the Supervisory Board, such for the upcoming year. Every member of the Supervisory Board takes part in the program. The Chairman of the Supervisory Board can grant dispensation for one or more sessions if a Supervisory Board member can sufficiently provide proof of having followed relevant courses elsewhere or if a Supervisory Board member is an expert on the subject him/herself.*

2.1.9 The assessment of the effectiveness of the lifelong learning referred to in principle 2.1.8 shall be part of the annual evaluation performed by the supervisory board.

*FMO complies with this principle. Annually, an evaluation of the Supervisory Board takes place in a closed session. Part of this evaluation is the assessment of the effectiveness of the lifelong learning program.*

2.1.10 In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board shall be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board shall be part of this evaluation.

*FMO complies with this principle. Annually, an evaluation of the Supervisory Board takes place in a closed session. Once every three years the evaluation is scheduled to take place under independent supervision.*

## 2.2 Tasks and working methods

2.2.1 As part of its supervisory tasks, the supervisory board shall pay special attention to the bank's risk management. All discussions about risk management shall be prepared by a risk committee or a similar committee, which committee shall be appointed by the supervisory board from its ranks for this purpose.

*FMO complies with this principle. In 2009 the Supervisory Board decided to convert its Audit Committee into an Audit and Risk Committee (ARC), combining both mandatory committees. Four of the members of the Supervisory Board participate in this committee. The agenda is divided into an Audit section and a Risk section.*

2.2.2 Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.

*FMO complies with this principle. This principle is embedded in the Standing Rules of the Audit and Risk Committee, which are published on FMO's website. In the Audit and Risk Committee, the required knowledge is present; the shortened versions of the resumes of the members of this committee can be found in the Annual Report on FMO's website.*

## 3.1 Composition and expertise

3.1.1 The executive board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board and diversity are preconditions for the executive board to perform its tasks properly.

*FMO complies with this principle. FMO's Management Board consists of three members: the Chief Executive Officer, the Chief Risk & Finance Officer and the Chief Investment Officer. The Management Board is composed adequately, given the size and character of FMO. In case of vacancies, attention is given to the composition of the Management Board with respect to professional experience and competencies - and if possible in this relatively small setting - to gender, nationality and cultural background.*

3.1.2 Each member of the executive board shall possess a thorough knowledge of the financial sector in general and the banking sector in particular. Each member of the executive board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank. In addition, each member of the executive board shall possess thorough knowledge so that he or she is able to assess and determine the main aspects of the bank's overall policy and then form a balanced and independent opinion about the risks involved.

*FMO complies with this principle. All Management Board members possess thorough knowledge of the financial sector in general and the banking sector in particular. The shortened versions of the resumes of the Management Board members can be found in the Annual Report published on FMO's website.*

3.1.3 The chairman of the executive board shall organize a program of lifelong learning, with the aim of maintaining the expertise of the executive board directors at the required standard and improving their expertise where necessary. The learning program shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits.

*FMO complies with this principle. Every member of the Management Board takes part in the lifelong learning program of the Supervisory Board and follows other courses depending on their specific needs. Please refer to section 2.1.8. for information on how the lifelong learning program is set up.*

3.1.4 Every member of the executive board shall take part in the program referred to in 3.1.3 and meet the requirements of lifelong learning. They have to satisfy this condition in order to sit on the executive board. The supervisory board shall ascertain whether the members of the executive board continue to fulfil the expertise requirements developed by the Dutch central bank.

*FMO complies with this principle. Every member of the Management Board takes part in the lifelong learning program. At least annually, the Supervisory Board ascertains whether the members of the Management Board continue to fulfil the expertise requirements developed by the Dutch Central Bank. This check is part of the evaluation of the Management Board by the Supervisory Board.*

3.1.5 Each year, the bank shall indicate in its annual report in what manner it implemented principles 3.1.3 and 3.1.4.

*FMO complies with this principle. Explanation of the principles 3.1.3. and 3.1.4. and the Report of the Supervisory Board can be found in the Annual Report published on FMO's website.*

3.1.6 Taking into account the risk appetite approved by the supervisory board, the executive board shall ensure a balanced assessment between the commercial interests of the bank and the risks to be taken.

*FMO complies with this principle. Looking at FMO's strategy and activities, FMO's mission is to stimulate, enable and support the growth of the private sector in developing markets. Taking credit and equity risks is inherent to FMO's core business. In order to perform sustainable, profitable business, the challenge is to take calculated and diversified risks. The risk appetite of FMO has been approved by the Supervisory Board. Considerations regarding the commercial interests and the risk factors are made in the Investment Committee, which advises the Management Board. The Management Board makes the final decisions.*

3.1.7 Within the executive board one member shall be responsible for preparing the decision making with regard to risk management. This member of the executive board shall be involved, in a timely manner, in the preparation of decisions that are of material significance for the bank as regards the risk profile, especially where these decisions may result in departure from the risk appetite approved by the supervisory board. Risk management shall also include a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the bank.

*FMO complies with this principle. Risk Management is the responsibility of the Chief Risk & Finance Officer. The CRFO is involved in the preparation of decisions that are of material significance for the bank with regards to the risk profile. The CFRO focuses on financial*

*stability and on the impact that systemic risk could have by setting strict limits and by stress testing, which includes severe downturn scenarios.*

3.1.8 The member of the executive board who is responsible for preparing the decision-making with regard to risk management may combine his or her function with other focus areas, on the condition that he or she does not bear any individual commercial responsibility for the commercial task areas and operates independently from those areas.

*FMO complies with this principle. The Chief Risk & Finance Officer combines Risk Management with the responsibility for Finance. The commercial responsibility is in the hands of the Chief Investment Officer.*

## 3.2 Tasks and working methods

3.2.1 In all of its actions, the bank's executive board shall ensure that it carefully considers the interests of all of the parties involved in the bank, such as the bank's clients, its shareholders and its employees. These considerations shall take into account the continuity of the bank, the environment in society in which the bank operates and legislation, regulations and codes that apply to the bank.

*FMO complies with this principle. This principle is embedded in FMO's Standing Rules of the Management Board which can be found on FMO's website. In March 2010, the Management Board has discussed and approved an extensive stakeholder analysis. The analysis clarified, in a structural way, which parties are perceived as stakeholders and how FMO communicates with them. It encouraged FMO's departments to think strategically and systematically about their most important stakeholders. Furthermore, the Management Board balances commercial interests and risks, taking the Risk Appetite approved by the Supervisory Board into account. Clearly, legislation, regulations and codes that apply to FMO are taken into account as well, while making considerations regarding the interests of stakeholders.*

3.2.2 Maintaining a continued focus on its clients' interests is a necessary precondition for the continuity of the bank. Without prejudice to the principle formulated in 3.2.1, the executive board shall ensure that the bank always treats its clients with due care. The executive board shall see to it that the duty of care for the client is embedded in the bank's culture.

*FMO complies with this principle. FMO highly values its clients' interests in general as well as on a case by case basis. To measure client satisfaction, a client satisfaction survey is periodically conducted as well as a request for specific feedback from Senior Management of our clients.*

3.2.3 The members of the executive board shall perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct and regulations. Each member of the executive board shall sign a moral and ethical conduct declaration. A declaration has been included in the explanatory notes to this code. This declaration is a model declaration, which means that each bank can supplement it as it deems appropriate.

*FMO complies with this principle. The Management Board takes all applicable laws, codes of conduct and regulations that apply to FMO into account, supported by business units such as the Legal & Compliance Department, Internal Audit, Compliance & Control department and by the Corporate Secretary. The Corporate Secretary assists with the implementation of requirements throughout FMO's organization. FMO's Management Board members have all signed the Declaration on Moral and Ethical Conduct, this declaration can be found on FMO's website.*

3.2.4 The executive board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behaviour of all of the bank's employees. The content of these principles shall be expressly pointed out to every new employee of the bank when he or she joins the bank by inserting a reference to these principles in the new employee's contract of employment. Every new employee shall be required to comply with these principles.

*FMO complies with this principle. FMO has implemented its own Code of Conduct and Rules of Conduct, which are published on FMO's website. These can also be found in FMO's Personnel Guide to which a reference is made in each contract of employment.*

## **4 RISK MANAGEMENT**

4.1 The executive board – and primarily the chairman of the executive board – shall be responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank's overall risk policy. The executive board shall propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim shall also require the supervisory board's approval.

*FMO complies with this principle. Every year the Management Board prepares an overview of the Risk Management Framework and the Risk Appetite and submits them to the Audit and Risk Committee. This Committee advises the Supervisory Board on whether to approve the proposal or not. FMO's Risk Management is well aware of the fact that material changes in the interim require the approval of the Supervisory Board.*

4.2 The supervisory board shall supervise the risk policy pursued by the executive board. As part of their supervision, the supervisory board shall discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity impact in the general sense are in line with the approved risk appetite. In the performance of this supervisory role, the supervisory board shall be advised by the risk committee formed from the ranks of the supervisory board for this purpose.

*FMO complies with this principle. For every Supervisory Board meeting, FMO's Management Board prepares a Risk Report containing an overview of the main risks of FMO including liquidity risk and changes in the capital ratios. The Audit and Risk Committee discusses the Risk Report and reports to the Supervisory Board.*

4.3 The supervisory board shall assess periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of the bank's risk appetite. The executive board shall provide the supervisory board with the relevant information for this assessment in such a way that the supervisory board is able to form a sound opinion.

*FMO complies with this principle. The Audit and Risk Committee advises the Supervisory Board on the risk profile and assesses at a strategic level whether capital allocation and liquidity impact in the general sense are in line with the approved risk appetite. The Management Board prepares several reports for this purpose such as a Risk Report, a Development and Financial Report, a portfolio analysis and an investment report containing the new commercial activities of FMO.*

4.4 The executive board shall ensure that risk management is arranged adequately so that the executive board is aware in good time of any material risks run by the bank so that these risks can be managed properly. The executive board shall take any decisions that are of material significance for the risk profile, the capital allocation or the liquidity impact.

*FMO complies with this principle. This task is performed by FMO's Risk Management Department which reports to the Chief Risk & Finance Officer. Furthermore, FMO has an Asset & Liability Committee (ALCO) in place which decides on market risks, liquidity and capital. The ALCO is chaired by FMO's Chief Executive Officer and all minutes of the ALCO meetings are submitted to the full Management Board.*

4.5 Every bank shall have a product approval process. The executive board shall organize the product approval process and shall be responsible for the process working properly. Products that go through the product approval process at the bank shall not be launched on the market or distributed without careful consideration of the risks by the bank's risk manager and a careful assessment of any other relevant factors, including the duty of care towards the client. Based on an annual risk analysis, the in-house auditor shall check whether the product approval process has been designed properly, is present and is working effectively and shall then inform the executive board and the relevant supervisory board committee (risk committee or similar committee) about the results.

*FMO complies with this principle. FMO has a comprehensive Product Approval Process in place. Proposals are submitted to the Asset & Liability Committee (ALCO). This committee is chaired by the Chief Executive Officer. This committee has been given a mandate by the Management Board to approve new products. All minutes of the ALCO's meetings are submitted to the full Management Board.*

## 5 AUDITS

5.1 The executive board shall ensure that a systematic audit is conducted of the management of the risks related to the bank's business activities.

*FMO complies with this principle. The Management Board of FMO has ensured that systematic audits are performed according to a yearly Audit Plan, which is based on a yearly risk assessment. The reports are submitted to the Management Board.*

5.2 Each bank shall have its own internal auditor, who shall occupy an independent position within the bank. The head of the internal audit team shall present a report to the chairman of the executive board and shall report to the chairman of the audit committee.

*FMO complies with this principle. FMO's Director Internal Audit is responsible. Reports are submitted to the Management Board and to the Audit and Risk Committee. The Internal Auditor is able to report directly to the Chairman of the Audit and Risk Committee whenever he deems necessary. This reporting line is described in FMO's Audit Charter and approved by the Audit and Risk Committee.*

5.3 The internal auditor shall have the task of assessing whether the internal control measures have been designed properly, are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk

management and the bank's control procedures. The internal auditor shall report the findings to the executive board and the audit committee.

*FMO complies with this principle. These are topics included in every engagement performed by Internal Audit.*

5.4 The internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee shall consult periodically, including as regards the risk analysis and the audit plan of both the internal auditor and the external auditor.

*FMO complies with this principle. This is common practice at FMO. The internal and external Auditors meet regularly and attend all meetings of the Audit and Risk Committee. The internal and external Auditors make a risk analysis, which is taken into account when the yearly audit plan is prepared. The audit plans of the internal and external Auditors are discussed by the Audit and Risk Committee.*

5.5 As part of the general audit assignment for the financial statements, the external auditor shall produce a report for the executive board and the supervisory board which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the bank's control procedures.

*FMO complies with this principle. This principle determines the responsibility of the External Auditor. Most of the work and responsibilities are covered in the Auditors Report and the Management Letter.*

5.6 The internal auditor shall take the initiative in arranging talks with the Dutch central bank and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage.

*FMO complies with this principle. Every year, two tripartite discussions take place between the internal and external Auditors and the Dutch Central Bank. FMO strives to annually hold these discussions in June and December.*

## **6 Remuneration policy**

### 6.1 Basis

6.1.1 The bank shall implement a meticulous, restrained and long-term remuneration policy that is in line with its strategy and risk appetite, objectives and values, taking into account the long-term interests of the bank, the relevant international context and wider societal acceptance. The supervisory board and the executive board shall take this basis into account when performing their tasks in relation to the remuneration policy.

*FMO complies with this principle. The Management Board fully endorses this principle and takes these principles into account when determining the remuneration policy of FMO and when determining the remuneration of the individual employees. The Supervisory Board endorses this principle as well and has taken these elements into account when proposing the remuneration of the Management Board to the General Meeting of Shareholders. More information on FMO's remuneration policy can be obtained from the Annual Report published on FMO's website.*

### 6.2 Governance

6.2.1 The supervisory board shall be responsible for the implementation and evaluation of the remuneration policy adopted with regard to the members of the executive board. The supervisory board also approves the remuneration policy for the senior management and oversees its implementation by the executive board. Additionally, the supervisory board approves the principles of the remuneration policy for other bank employees. The bank's remuneration policy shall also comprise the policy on awarding retention, exit and welcome packages.

*FMO complies with this principle. FMO applies a remuneration policy that takes into account all relevant input of its shareholders with reference to the changing common understanding and practice regarding remuneration issues in the financial sector, such as the Banking Code and evaluations of, and revisions to the Dutch Corporate Governance Code. In order to adopt the changes presented in the Banking Code and the revisions to the Corporate Governance Code, the Supervisory Board drafted an adjusted remuneration policy for the Management Board which was approved by the General Meeting of Shareholders in May 2010. An amended version, which amendment mainly concerned the abolishment of the variable pay of the Management Board, has been approved by the General Meeting of Shareholders in May 2012.*

6.2.2 The supervisory board shall annually discuss the highest variable incomes at the bank. The supervisory board shall ensure that the executive board assesses whether variable incomes are consistent with the remuneration policy adopted by the bank, and in particular whether they comply with the principles set out in this section. Furthermore, the supervisory board shall discuss material

retention, exit and welcome packages, assess whether they are consistent with the remuneration policy adopted by the bank and ensure that these packages are not excessive.

*FMO complies with this principle. However, it is worth mentioning that the variable pay for Management Board members has been abolished in May 2012, with the exception of a profit sharing scheme which applies to all FMO employees. The maximum of this scheme is maximum EUR 2,800. For other staff there is a maximum of EUR 10,000 gross per year. The other dedicated committee of the Supervisory Board, the Selection, Appointment and Remuneration Committee, has the other issues which are mentioned in this section on its agenda and provides the Supervisory Board with information and advice.*

## 6.3 Remuneration of members of the executive board

6.3.1 The total income of a member of the executive board shall be in reasonable proportion to the remuneration policy adopted by the bank. At the time when his or her total income is decided, it shall be slightly below the median level for comparable positions in the relevant markets both inside and outside the financial sector. The relevant international context shall be a major factor.

*FMO complies with this principle. FMO's remuneration policy is based on the median level for comparable positions in the relevant (international) financial sector markets. The principle of market conformity is leading and based on two specific referential groups: one semi-public and the other market-oriented. The outcome of the inquiry conducted was that the remuneration of the Management Board is well below the median of the combined referential groups. The remuneration of the Management Board is approved by the General Meeting of Shareholders; FMO does not compensate members of the Management Board with shares, options or loans.*

6.3.2 In the event of dismissal, remuneration may not exceed one year's salary (the „fixed“ remuneration component). If the maximum of one year's salary would be manifestly unreasonable for an executive board member who is dismissed during his or her first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.

*FMO complies with this principle. In case of dismissal, a member of the Management Board is eligible for severance pay not exceeding the amount of one annual salary.*

6.3.3 When variable remuneration is awarded to the executive board, the long-term component shall be taken into account as well as profitability and/or continuity of the bank and a material part of the variable remuneration shall be conditional and shall not be paid until at least three years have passed.

*This principle does not apply to FMO anymore. As mentioned before, the variable pay for Management Board members was abolished in 2012.*

6.3.4 Shares granted to executive board members without financial consideration shall be retained for a period of at least five years or at least until the end of the employment, if this period is shorter. If options are granted, they shall, in any event, not be exercised in the first three years after the date on which they were awarded.

*This principle does not apply to FMO. FMO does not grant employees shares or options.*

## 6.4 Variable remuneration

6.4.1 The allocation of variable remuneration shall be related to the bank's long-term objectives.

*FMO complies with this principle. Because of the nature and the long term character stated in FMO's articles of association, these yearly recurring goals are related to the long term objectives of FMO.*

6.4.2 Every bank shall set a maximum ratio of variable remuneration to fixed salary that is appropriate for the bank in question. The variable remuneration per annum of members of the executive board shall not exceed 100% of the member's fixed income.

*FMO complies with this principle. The variable remuneration per annum of members of the Management Board was abolished in 2012. For other employees the maximum is EUR 10,000 gross per year.*

6.4.3 Variable remuneration shall be based on the performances of the individual, his part of the business and the performance of the bank as a whole according to pre-determined and assessable performance criteria. In addition to financial performance criteria, non-financial performance criteria shall also make up a significant portion of the assessment of the individual. Performance criteria shall be defined in terms that are as objective as possible in the bank's remuneration policy.

*FMO complies partly with this principle. The performance related pay of members of the Management Board was abolished in 2012. For other employees, this approach has been explicitly chosen for, because of the limited scope of the company, the mutual dependencies and the collegial management.*

6.4.4 When performances are assessed based on the pre-determined performance criteria, financial performances shall be adjusted to allow for estimated risks and capital costs.

*FMO complies with this principle. The performance criteria are determined based on financial and non-financial targets, whereby risk aspects are taken into account and are integrated in the target setting.*

6.4.5 In exceptional circumstances – for example, if application of the pre-determined performance criteria would result in undesired variable remuneration for a member of the executive board – the supervisory board shall have the discretionary power to adjust the variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects.

*This principle does not apply to FMO, since the variable pay of the Management Board members was abolished in 2012.*

6.4.6 The supervisory board shall be authorized to reclaim variable remuneration allocated to a member of the executive board based on inaccurate data (whether or not the inaccurate data is financial in nature).

*FMO complies with this principle. This could affect deferred variable remuneration payments as well as variable remuneration already paid in the past.*