



ING Solutions Investment Management

Remuneration policy

Report for external publication

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1. General dispositions

The policy integrates the provisions of the European and Luxemburgish regulations related to remuneration and corporate governance defined in :

- the Law dated 12 July 2013 on alternative fund managers (“AIFM Law”);
- the Law dated 10 December 2010 as amended by the law dated 10 May 2016 (“UCITS Law”);
- CSSF Circular 10/437 related to the remuneration policies in the financial sector;
- ESMA Guidelines;

The Remuneration Policy is consistent with and promotes sound effective and sustainable risk management and does not encourage risk-taking which might be inconsistent with the risk profile, rules or instruments of incorporation of the AIFs/UCITS managed. The Remuneration Policy reflects the Management Company’s objectives for good corporate governance as well as sustained and long term value creation for the funds it manages and their shareholders.

The Remuneration Policy has been designed and implemented to achieve the following:

- support actively the achievement of the Management Company’s strategy and objectives;
- support the competitiveness of the Management Company in the markets it operates;
- be able to attract, develop and retain high-performing and motivated employees.

The Remuneration Policy is in line with the interests of the Company and the AIFs and UCITS it manages and the interest of investors of such AIFs and UCITS in order to avoid conflicts of interest.

The policy and its appendices might be modified in the future to take into account evolutions in regulatory framework.

2. Scope of the policy

2.1 Persons which fall within the scope of the AIFM Law and UCITS Law: Identified Staff

Identified Staff covers the categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the Company's risk profile or the risk profiles of the AIF/UCITS it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the Company, whose professional activities have a material impact on the risk profiles of the AIF/UCITS that the Company manages.

Identified Staff is covering the following functions within the Company:

- Executive and non-executive members of the governing body of the Company (i.e. the "Authorised Management")
- The control functions (staff responsible for Risk Management, Compliance, Internal Audit, HR)
- Staff responsible for heading up portfolio management, fund administration, fund distribution
- Other risk takers whose professional activities have a material impact on the risk profile of the Company or any AIF/UCITS it manages and who receive total remuneration that takes them into the same remuneration bracket as senior management and risk takers (including persons capable of entering into contracts / positions and taking decision that have a risk impact on profile of the Company or any AIF/UCITS it manages).

2.2 Delegation of activities

The Company ensures that the entities to which **portfolio management activities** have been delegated are subject to regulatory requirements on remuneration that are:

- Equally as effective as those under the AIFM Law and the UCITS Law, **or**
- That appropriate contractual arrangements are entered into to ensure there is no circumvention of the remuneration rules with respect to payments to identified staff within the delegate.

2.3 Proportionality

In taking measures to comply with the remuneration principles, the Company complies in a way and to the extent that is appropriate with its size, internal organization and the nature, scope and complexity of its activities.

By application of the proportionality, **the following principles will not be applied:**

- The requirements on pay-out processes for Identified Staff including:
 - a. The payment of variable remuneration in instruments related mainly to the AIF(s)/UCITS in relation to which they perform their activities;
 - b. Deferral requirements;
 - c. Retention periods;
 - d. Ex-post incorporation of risk (Malus).
- The requirement to establish a remuneration committee.

3. Remuneration principles

The remuneration principles as stated below are compliant with those of the ING Group.

This policy is aimed at aligning remuneration with prudent risk-taking. The design of the remuneration system is consistent with the objectives set out in the Company's strategy and lies in:

- A proper balance of variable to fixed remuneration;
- The measurement of performance.

The remuneration consists in all forms of awards, payments or benefits made directly by, or indirectly, but on behalf of, the Company, in exchange for professional services rendered by staff of the Company. Remuneration can be divided into either **Fixed Remuneration** or **Variable Remuneration**. If it is not possible for a remuneration component to be clearly allocated to Fixed Remuneration based on the criteria below, it should be considered as Variable Remuneration.

Fixed Remuneration is in principle non-performance related. Types of Fixed Remuneration are base salary, fixed allowances, fixed shares and benefits.

Variable Remuneration consists in all performance-related remuneration that is not Fixed Remuneration. Variable Remuneration consists of annual performance bonus payments, collective variable remuneration and other specific variable remuneration instruments.

The Variable Remuneration is only based on qualitative criteria and is not based on the Company's performance.

For all staff, the ratio (Fixed to Variable) does not exceed 100% of the Fixed Remuneration.

The Company has a performance-based culture and as such rewards its employees through variable pay. This is designed to attract, retain and motivate its staff without encouraging the taking of inappropriate risk.

Variable Remuneration is not paid through vehicle or methods that are employed at artificially evading the remuneration provisions of the AIFM Law and the UCITS Law including the delegation of professional services to firms that fall outside of the scope of AIFM Law / UCITS Law and the setting up of structures or methods through which the remuneration is paid in the form of dividends or similar pay outs.



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The Company is complying with the remuneration provisions of the AIFM Law / UCITS Law and no employee of the Company is receiving a Variable Remuneration which is based on the performance of the AIF/UCITS under management.

3.1 Short-term incentives : discretionary bonus – annual cash bonus

The purpose of the discretionary bonus is to annually reward and incentive excellent performance and to align the success of the Company with that of the employee. Discretionary bonuses are intended to reflect contribution to the overall success of the Company and are designed to take a long term view of the Company's development.

All employees are eligible to receive a discretionary bonus.

3.2 Long-term incentives awards

These are supplements based on objective criteria defined for targeted populations, such as senior management. These awards are fully deferred, with payment over several years, settled after various risk adjustment factors have been applied.

3.3 Remuneration of control functions

Performance measures for employees responsible for control function is based on the achievements and objectives of the functions, and their remuneration is determined **independently from the performance of the specific business areas they support**, therefore helping to prevent any potential conflicts of interest.

Employees who fall under this arrangement include employees in Compliance, Risk Management, HR and Internal Audit.

The remuneration of the senior officers in the control functions is directly overseen by the Supervisory Board. The Supervisory Board is ultimately reviewing and validating the remuneration of the whole staff of the Company including Identified Staff.

3.4 Actual benefits

In addition to the fixed and variable pay, the Company offers the following range of benefits :

- Pension plan (pension, death, invalidity);
- Complementary medical insurance;
- Company car;
- Luncheon vouchers;
- Various banking services at discounted rates (provided by ING Luxembourg);
- Mobile telephone.

3.5 Guaranteed variable remuneration

Guaranteed payments (e.g. welcome bonus) can only be used in exceptional circumstances (i.e. only when hiring new staff) and is limited to the first year of employment.

The payments related to the early termination of a contract, which are awarded on a contractual basis, are designed in a way that corresponds to the employee effective performances during the employment period and that does not reward failure (e.g. Golden parachute).

3.6 Hedging strategy

The Company monitors that employees do not use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The Company guarantees that variable remuneration paid is not paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Law and the UCITS Law.

3.7 Bonus withholding (ex post risk adjustments)

As long as this is allowed by the applicable rules and regulations, the Company reserves **the rights to withhold variable remunerations** in the following conditions:

- Evidence of misbehaviour or serious error by the staff member (e.g. breach of code of conduct, if any, and other internal rules especially concerning risks);
- Whether the AIF and/or the UCITS and/or the Company and/or the business unit subsequently suffers a significant downturn in its financial performance;
- Whether the AIF and/or the UCITS and/or the Company and/or the business unit in which the staff member works suffers from a significant failure of risk management.

3.8 Claw Back (ex post risk adjustments)

As long as this is allowed by the applicable rules and regulations, the Company reserves **the right to demand full or partial repayment from the individual** who has been awarded variable remunerations in the following conditions:

- Fraudulent conduct of staff member ;
- Misleading information by a staff member,
- Breach of AIFM Law/UCITS Law or ESMA guidelines.

3.9 Pension policy

There is no discretionary pension benefit paid to employees. Pension contributions are not deductible from variable remuneration.

4. Performance Management principles

Where remuneration is performance related, the total amount of remuneration is based on a **combination of the assessment of the performance of the individual and of the business unit or AIF and UCITS concerned and of the overall results of the Company.**

The assessment of the performance is set in a multi-year framework appropriate to the life-cycle of the AIF/UCITS managed by the Company in order to ensure that the assessment process is based on longer term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes into account of the redemption policy of the AIF/UCITS it manages and their investment risks.

The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a **comprehensive adjustment mechanism to integrate all relevant types of current and future risks.**

A set of individual performance agreements that are linked to the strategy of the Company are set at the start of the performance period. The individual performance agreements are set between the employee and the hierarchical manager.

Individual performance targets can have both non-financial (e.g. achievement of strategic targets, customer satisfaction, process improvements, leadership, engagement, innovation, cooperation with other entities of the ING group) as well as financial elements (e.g. cost/income ratio, underlying net profit, sales target, ...). The financial elements should cover a period which is longer enough to properly capture the risk taken by the staff and the Company.

The individual performance targets shall consist at least for 50% of non-financial target.

A formal performance review is conducted twice per year, during the “Mid-Year-Review” and the “Year End Evaluation” by the hierarchical manager. All performance assessments are documented and filed, and accessible for monitoring.

Variable Remuneration is dependent on performance of the Company as well as individual performance.

Employees with the lowest performance ratings are, in principle, not eligible for Variable Remuneration.

5. Governance

5.1 Supervisory Board of the Company

The Supervisory Board of the Company, in its supervisory function is required to approve and annually review the Remuneration Policy and for overseeing its implementation.

The Supervisory Board ensures that the Company's remuneration policy and practices are appropriately implemented and aligned with ING's overall corporate governance framework, corporate culture, risk appetite and related governance processes. The Supervisory Board receives advice from internal auditor, control functions and where relevant external advisers.

The Supervisory Board is composed in such a way that the members collectively have sufficient knowledge, skills and experience in the field of remuneration. This includes knowledge about mechanisms to align the remuneration structure of the company with ING Group risk profiles and capital structure.

The prior approval of the Supervisory Board is required for :

- Approving any change of the Remuneration Policy;
- Adopting the remuneration of the Conducting Officers / members of the Management Board of the Company;
- Approving the Variable Remuneration of the Risk Management and Compliance functions;
- The determination and release of the Variable Remuneration pool;
- Approving the overall remuneration of the whole staff of the Company.

Where periodic review of the remuneration system of the Company reveal that it does not operate as intended or prescribed, the Supervisory Board should ensure that a timely remedial plan is put in place.

The Supervisory Board is responsible for the review of the Remuneration Policy and practices and for ensuring that the results of the review are followed up.

5.2 The Conducting Officers / Management Board of the Company

The Remuneration Policy is implemented by the Management Board with the prior approval of the Supervisory Board.

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The Management Board works closely with the Supervisory Board and ensures that the Remuneration Policy is consistent with and promotes sound and effective risk management and is properly implemented and executed.

The Management Board provides advice to the Supervisory Board with respect to remuneration topics, it prepares the discussion and decision making within the Supervisory Board and reviews, assesses and recommends actions to the Supervisory Board.

5.3 Control function

In order to safeguard their independency, the control functions operate separately from the business unit they oversee.

Working closely with the Supervisory Board and the Management Board, the control functions (other than Audit) assist in determining the overall Remuneration Policy applicable to the Company having regard to the promotion of effective risk management.

The control functions are independent of the business. The control functions are responsible for controlling and monitoring the risks arising from the Company's operations, ensuring compliance with the remuneration policy.

The staff members in control functions advise the Management Board within their area of expertise and cooperate actively and regularly with the Management Board as well as with other relevant stakeholders. The staff members of control functions, if necessary, liaise directly with the Supervisory Board.

The Risk Management function is assessing how the variable remuneration structure affects the risk profile of the Company.

The Compliance function analyses how the Remuneration Policy is applied and how it affects the Company's compliance with legislation, regulations and internal policies.

The implementation of the policy will be subject, at least on an annual basis, to a central and independent internal review for compliance.

The review will be conducted by either the internal audit department or by an external audit firm on behalf of the Supervisory Board of the Company. The outcome of this review will be reported to the Management Board and the Supervisory Board of the Company.

5.4 Remuneration Committee

Due to the limited size of the Company, no remuneration committee is established.

6. Disclosure

6.1 External disclosure

The Company must issue an AIF/UCITS Report covering:

- The **total amount of remuneration** for the financial year, split into fixed and variable remuneration, paid by the Company to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the AIF or the UCITS.
- The **aggregate amount of remuneration** broken down by senior management and members of staff of the Company whose actions have a material impact on the risk profile of the AIF or the UCITS.
- Details of remuneration practices for Identified Staff (i.e. financial and non-financial performance measures used to determine variable remuneration).

External disclosure is required to be included in the AIF's and UCIT's annual report **which is made available to AIF/UCITS investors upon request.**

6.2 Internal disclosure

The Remuneration Policy is part of the Company's policies and procedures and as such the main principles are available to all staff.

The employees are regularly informed about their remuneration, criteria used to measure performance and the link between performance and pay through the intranet (for example).