

Rabo Vastgoedgroep AIFMD compensation policy

General

The Alternative Investment Fund Managers Directive (AIFMD) went into effect as of 22 July 2013. The European supervisor (ESMA) has published guidelines elaborating in detail the compensation rules set by AIFMD. These guidelines were translated into Dutch law and regulations.

Rabo Vastgoedgroep is affected by the AIFMD because certain alternative investment funds of Bouwfonds Investment Management (Bouwfonds IM) fall within its scope. Bouwfonds IM's management designated its 100% subsidiary Bouwfonds Fund Management B.V. (BFM) as the manager of these alternative investment funds according to art. 1:1 of the Financial Supervision Act. Furthermore, Bouwfonds IM manages alternative investment funds in joint ventures with third parties that are governed by the AIFMD (e.g. KAG structures).

In collaboration with PWC, Rabo Vastgoedgroep made an impact analysis of the compensation policy in relation to the alternative investment funds that fall directly under the scope of the AIFMD. Measures were identified and implemented to ensure that Rabo Vastgoedgroep's compensation policy is compliant with the regulations as from 22 July 2014.

Scope and overlap with CRDIII

Rabobank Groep as a whole falls within the scope of the Capital Requirements Directive (CRD) III and, as such, must comply with the compensation rules of this European guideline. The translation of this is detailed in the Rabobank Groep's group-wide compensation policy that also applies to the Rabo Vastgoedgroep.

The introduction of the AIFMD entails overlap between the selection of Identified Staff (IS) under the CRD III regulations and the IS selection under that of the AIFMD. For practical reasons and at the recommendation of PWC, Rabo Vastgoedgroep chooses to have the AIFMD guidelines apply where positions/persons are concerned whose work can be ascribed specifically to one or more funds. For positions where this does not apply, Rabo Vastgoedgroep chooses to have only the CRD III guidelines be applicable to this position. The consideration here is that the creation of a split in work activities and, resulting from this, a split in the structure of compensation and performance management cannot realistically be achieved in practice. The CRD III measures for IS ensure adequate risk mitigation in the compensation policy for these positions.

When an employee qualifies as a monitoring position on the basis of CRD III and on the basis of AIFMD, then the compensation rules of both CRDIII and AIFMD apply to that given employee.

General compensation requirements

A number of requirements for the compensation structure and performance management apply to all employees working for BFM (ESMA guidelines, paragraphs 34-36 and 77-92). In short, this concerns:

- overall risk mitigation with respect to the variable compensation pool whenever AIFM's financial situation does not permit this;
- specific requirements with respect to discretionary pensions;
- a ban on guaranteed bonuses;
- a ban on hedging;
- a ban on pay-for-failure in instances of severance payments.

Rabobank Groep has made these requirements part of the group-wide compensation policy. Rabo Vastgoedgroep has included a specific reference to Rabobank Groep's group-wide compensation policy in various employment conditions documents. Starting in performance year 2014, overall risk mitigation is in place for variable compensation at the Rabo Vastgoedgroep level. This is established in the Rabo Vastgoedgroep collective employment agreement.

IS selection and specific requirements

The ESMA guidelines (paragraphs 19-22) make a distinction among 6 IS categories. In 2013, Bouwfonds IM selected 15 officers as IS for BFM based on these defined categories.

A number of additional specific requirements for the compensation structure and performance management apply to the IS selection (*ESMA guidelines, paragraphs 93-159). In short, this concerns:

- the use of both quantitative and qualitative performance criteria in performance management;
- partially delaying variable compensation (up-front and deferred remuneration);
- allocating variable compensation partly in non-cash instruments;
- applying a retention period to the non-cash instruments; and
- applying a penalty and claw-back the deferred portion of the variable compensation.

Rabo Vastgoedgroep policy is established with regard to the specific IS requirements for each target group's emolument conditions as described below:

Board of Directors

Directors' employment conditions are in accordance with the CRD III requirements and the ESMA guidelines for AIFMD and are described in the directors' employment conditions booklet.

CAO employees and senior management

All IS functions for AIFMD selected in 2013 that fall under the collective agreement and senior management qualify as monitoring functions in the context of CRD III. For this reason, they also satisfy the general performance management requirements included explicitly in the collective employment agreement and the senior management employment conditions booklet.

For the IS group functions for AIFMD that fall under the collective employment agreement and senior management, Rabo Vastgoedgroep applies the requirements on the basis of proportionality. This means that the variable compensation paid to these employees is not deferred and no non-cash instruments are used. The considerations that play a role in this are:

- this group of employees can receive a limited and/or maximized variable compensation;
- these are not material risk-takers, but monitoring functions and, for that reason, have no commercial targets or very limited ones;
- on the basis of paragraph 147 of the ESMA Guidelines on Remuneration, the majority of these employees would not have to apply these instruments because they do not work specifically for a single fund and, for this reason, could not satisfy the requirement of paragraph 147.

These considerations, in combination with the compensation policy concerning general AIFMD compensation requirements and the compensation policy in the context of CRD III for monitoring functions, ensure the existence of sufficient risk mitigation for this group of employees. Furthermore, a general claw-back scheme is provided for in senior management's employment conditions and in the collective employment agreement.

One exception to the aforementioned policy for senior management is made concerning the position of Bouwfonds IM's CFRO. Given the nature of the position and the material influence this position has on Bouwfonds IM, the IS compensation policy applies as described in the senior management employment booklet.

Specific guidelines for contracting external parties and delegation

When contracting the services of external employees or upon the delegation of portfolio management or risk management activities to third parties, the AIFMD sets specific requirements.

Therefore, when entering into new agreements for contracts and/or variable compensation structures with persons not employed by BFM and/or entities not covered by BFM or changes to existing agreements, Rabo Vastgoedgroep's/Bouwfonds IM's legal position is analysed to determine what safeguards must be implemented in the agreements to ensure that BFM is compliant with AIFMD requirements. In all cases, a claw-back provision shall be included in contract agreements to ensure that these agreements are sufficiently risk-mitigated.