

## IMPLEMENTATION OF THE DUTCH BANKING CODE AT DHB BANK

April 2020

### 1 Compliance And Accountability

*Each year each bank reports the manner in which it applied the Banking Code in the previous year on its website. In this way, the bank reports to what extent it has made progress in applying the principles. The bank also gives specific examples of how compliance has occurred.*

*If applicable, the bank gives reasons why a principle may not have been (completely) applied ("comply or explain").*

#### Notes & Explanations

Since 2010 DHB Bank has been reporting on its website, alongside within its annual reports, the manner in which it applied the Dutch Banking Code in the previous year.

Here, the bank also reports the manner in which it implemented the latest Dutch Banking Code (dated 2015), by giving specific examples as to how compliance was achieved, and, if applicable, will give reasons as to why a principle may not have been (completely) applied ("comply or explain").

### 2 Controlled And Ethical Conduct Of Business

#### 2.1 *To acquire and maintain its position as a stable and reliable partner, a bank formulates a mission, a strategy and objectives. These are aimed at the long term and expressed in, among others, the bank's risk policy and the policy with regard to sustainability and corporate social responsibility.*

*A bank chooses its position so that business interests and the social role it fills are an extension of each other. This is also expressed in the bank's governance structure and is leading in the implementation of the bank's policy based on its mission, strategy and objectives.*

#### Notes & Explanations

DHB Bank's mission is 'Delivering quality through transparent and fairly priced products and services to our clients in a select number of countries in order to foster mutually beneficial long-term relationship for sustainable business success in favour of all our stakeholders and society in general'.

The bank's strategy is derived from this corporate purpose. Its aspects are developed throughout the organization, including the formulation of the risk appetite framework (yearly reviewed in keeping with the changing environment), in the risk yearly appetite statement, yearly budgeting and general planning, all in the name of ensuring the long-term sustainability of its activities for the benefit of all its stakeholders.

The bank's Corporate Social Responsibility and Sustainability Policy, first adopted in 2011 and amended occasionally, aims to adhere to the principles of social responsibility in all the decisions made and in all the activities undertaken as an organization, and these are centred around accountability, transparency, ethical behaviour, respect for stakeholder interests, respect for the rule of law, respect for human rights and respect of corporate governance.

The bank's corporate governance, its social responsibility and business interests form an integral part of its mission.

- 2.2 *Together the MB and SB – with due regard to their individual tasks and authorities – are responsible for setting up a proper governance structure and for the compliance with these governance principles.*

*The members of the boards fill an exemplary role for all of the bank's employees. They take the fullest account of that in their daily actions. Annually, the SB assesses how the members of the MB fill their exemplary role.*

Notes & Explanations

The members of the MB and SB do perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct, regulations and best practices related to corporate governance. These are embedded in various forms including different policies, and are also translated into strong principles in their activities.

All the SB and MB members are professionals with very long years of experience and diverse backgrounds, expertise, cultures and social sensitivity. Their exemplary role in their activities and behaviours is additionally covered in the SB and MB Policy. All the SB and MB members also took and signed the new bankers' oath, setting another example for all the bank's employees who followed suit in taking the oath.

The SB annually reviews and assesses the MB members' performance from many angles and the assessment of their exemplary role is included in the SB Policy.

Additionally, as a document outlining the professional responsibilities of all employees, DHB Bank's staff handbook stipulates that, among others, all the managers should lead by example and show personal integrity at all times. The Handbook also provides guiding principles regarding the Code of Conduct for the employees.

- 2.3 *Together the MB and SB – with due regard to their individual tasks and authorities – are responsible for the development, promotion and maintenance of standards in the bank with regard to integrity, morality and leadership.*

*Additionally, they are also responsible for good "checks & balances" and ensuring a robust IT infrastructure, which is essential for the functioning of the bank. Good checks-and-balances implies that the compliance function is ensured within the MB and SB as well.*

Notes & Explanations

DHB Bank strives to adhere to the highest standards of integrity and morality in all its transactions and relationships. To avoid integrity failures, the bank's integrity risk policy is based on ensuring that a general culture of high ethical standards prevails throughout the bank and that integrity risks are efficiently managed. The general approach is top-down, and the process starts with a strong ethical stance at the top.

The promotion and maintenance of standards in the bank with regard to integrity, morality and leadership, as well as the development, promotion and maintenance of standards in the bank with regard to integrity, morality and leadership form the regular working principles of the SB and MB. These are also included in the SB and MB policies.

DHB Bank's entire organization is based on checks and balances. This starts with the MB members having different primary areas of responsibilities (apart from their overall joint responsibility), and continues throughout the bank at different levels and departments - including the three-lines-of-defense system in the risk management area. As an example, credits department comprises 3 different functions, namely (1) credit analysis, (2) credit risk monitoring and control, and (3)

corporate loans (responsible for the loan documentation). As another example, front offices are not allowed to conduct any operational transaction related to their asset generation activities.

- 2.4** *The MB promotes responsible behaviour and a healthy culture, both at the top of the bank and throughout the entire organisation. It is aware of the interests of the bank's customers and other stakeholders. The SB shall oversee this.*

Notes & Explanations

The MB strictly adheres to these principles in all its deliberations, decisions and actions. Furthermore, the bank has in place, among other policies, a “Corporate Social Responsibility and Sustainability Policy” that covers the bank’s adherence to the principles of social responsibility and sustainability in all the decisions made and in all the activities undertaken, and a “Client First Policy” intended as a guideline for the management and staff in decision-making and client interaction. These principles are followed both in text and spirit by the bank.

The SB annually reviews and assesses the MB members’ performance from many angles, including these ones.

- 2.5** *The principles of the Social Charter apply to all member banks. These principles should be secured in the organisation of the bank and the bank must also engage them in contacts with its stakeholders. This makes the manner in which the bank deals with the charter's principles transparent.*

Notes & Explanations

The bank has a Social Responsibility and Sustainability Policy that aims to ‘contribute to sustainable development, including health and the welfare of society; take into account the expectations of stakeholders; be in compliance with applicable law and consistent with international norms of behaviour; and integrated throughout the organization and practiced in its relationships’. In addition, through different policies and as part of its corporate culture, DHB Bank traditionally:

- Pays utmost attention for his customers and society in general to be able to count on reliable, service-oriented and transparent products and services.
- Strives to ensure the continuity and reliability of its services and focuses in its operations on the interests of customers and other stakeholders.
- Is transparent about the costs and strives to inform customers about the risks involved in the transaction in question.
- Has a risk policy that is characterized by an integral approach (covering all types of related risks) and which is transparent and aimed at both the short and long term.
- Requires integrity, expertise and professionalism from its employees.
- Guides its employees to draw a careful balance between the interests of all its stakeholders, with due attention to duty of care towards the customers.

- 2.6** *All employees shall comply with the formal regulations and self-regulations that apply to them. The MB and the SB are responsible for this – with due regard for their tasks and authorities. The MB is responsible for the employees being aware of and continuing to observe all rules, values and norms applicable to the bank and continuing to focus on them. The SB shall oversee this.*

Notes & Explanations

The bank’s Staff Handbook, which also incorporates The Code of Conduct, is applicable to all the employees of DHB Bank as a guideline for their actions, and covers, among others, their compliance

requirement with formal regulations and observance of all rules, values and norms applicable to the bank. Furthermore, for the purpose of strengthening DHB Bank's corporate culture, the Staff Handbook addresses clearly the seven elements of an ethical culture, including the values of balancing interests, balanced actions, consistent actions, openness for discussion, leading by example, feasibility and transparency. All employees are required to comply with all the stipulations in the Code of Conduct, and those newly joining the bank are required to state their adherence to these rules in writing. Contracts of the new employees also include reference to the principles set forth in the Staff Handbook.

The responsibility of the SB for the employees being aware of and continuing to observe all rules, values and norms applicable to the bank and continuing to focus on them is covered in the SB Policy.

### 3 Supervisory Board

#### 3.1 *All The SB is composed in such a way that it can fulfil its task as it should.*

*It shall establish a risk committee and an audit committee.*

*The members of the SB are prepared and able to free up enough time and demonstrate their dedication and involvement. At the same time, they are critical and independent.*

#### Notes & Explanations

DHB Bank drew up profiles for the Supervisory Board (SB) members and the chairman, as articulated in the SB Policy. Composed of members with diverse backgrounds, expertise, experiences, cultures and social sensitivity, the SB has a collegial working structure, and as per the bank's Articles of Association (AoA), each member is entitled to cast one vote. The brief resumes of the SB members are presented under the section "Corporate Governance" of the bank's annual reports.

The Supervisory Board has a Risk and Audit Committee (RAC) comprised of 4 of its members who are experienced professionals in the field. The RAC assists and advises the SB in fulfilling its oversight responsibilities with regard to risk and audit issues. The RAC discusses the bank's risk profile and assesses, at a strategic level, whether capital allocation and liquidity level in the general sense are in line with the approved risk appetite, among other subjects. The RAC convenes periodically, at least three times a year. The Head of Internal Audit and Compliance Officer have direct access to the chairman of the RAC, with whom the Head of Financial Control may also communicate directly for exceptional cases.

Given its size, DHB Bank does not have separate risk committee and audit committee, and has combined these functions under a single committee.

A majority of the SB members reside in the Netherlands. The SB convenes regularly throughout the year, on average at least once a month either by way of teleconference or meeting. SB members devote appropriate time and attention to their responsibilities, and for extraordinary subjects that are not part of regular agenda items, direct contacts exist among the SB members themselves and between the SB and the Managing Board members.

The 'critical' characteristic of SB members is a feature of their activities and responsibilities, and is a requirement of the SB Policy.

#### 3.2 *Each member of the SB shall be aware of the social role of a bank and of the interests of the different stakeholders.*

*For the members of the SB's risk committee and audit committee, there are specific requirements with regard to competence and experience. Members of the risk committee must have a thorough knowledge of the financial-technical aspects of the risk management or have the necessary experience that allows for a sound assessment of risks. Members of the audit committee must have a thorough knowledge of financial reporting, internal control and audit or have the necessary experience that allows for a sound supervision of these topics*

#### Notes & Explanations

Taking into account the geographical coverage of the bank, several members are familiar with the socio-economic and political culture and the social environment of the bank's main markets, thus contributing further to the fulfilment of the duties and responsibilities of the SB and to the public functions of the bank. In fulfilling its responsibilities, the SB considers the balanced interests of all the stakeholders and the duty of care towards clients as a guiding principle and a particular attention point, as also stipulated in the SB Policy.

As per the SB Policy and RAC Policy, the RAC members should – and do – possess sound knowledge of the financial aspects of risk management; experience in identifying and thoroughly assessing the risks involved in the bank's activities; sound knowledge of accounting principles, financial reporting and IFRS; knowledge of international auditing standards; and experience in the internal control, compliance and audit areas or in managing these processes.

- 3.3** *The chairman of the SB shall ensure the existence of a programme of continuing training for all members of the SB. The objective of this programme shall be to maintain the expertise of the supervisory directors and, where necessary, to broaden it.*

*In any case, the education shall be related to relevant developments within the bank and the financial sector, to corporate governance in general and those in the financial sector in particular, to the duty of care toward and the interest of the customer, integrity, IT infrastructure, risk management, financial reporting and audit.*

*Each member of the SB shall participate in the programme and comply with the requirements of continuing training. The assessment of the effectiveness of the programme of continuing training is part of the annual evaluation of the SB's functioning.*

#### Notes & Explanations

DHB Bank has in place a lifelong learning policy that describes the necessary qualifications for the members of the SB – and the MB – and the methods by which their knowledge base will be maintained to fulfil their respective responsibilities via lifelong learning sessions. Throughout the year, all the MB and SB members in office take part in lifelong learning sessions relating to governance, and to the developments in the bank and the banking sector.

As per the SB Policy, subjects of lifelong learning programmes are:

- 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 and interests of the client,
- applicable rules and regulations,
- integrity,
- ICT systems,
- compliance,
- risk management,

- accounting principles and financial reporting and
- audit.

In addition, the SB members have separate budget for individual trainings that they would like to follow.

As per the SB Policy "The SB members will annually provide the chairman of the SB with a self-evaluation in writing of their performance as a SB member of the Bank. The assessment of the effectiveness of the lifelong learning shall be part of this self-evaluation." A similar stipulation is present in the "Lifelong Learning Policy" as well. "Each SB member shall be able to express his views confidentially during the reviews". The respective evaluation has been completed for each financial year since 2012 via closed sessions, and through external evaluations in 2013 and 2017.

- 3.4** *In addition to the annual evaluation of the SB's functioning, this functioning shall be evaluated every three year under independent supervision. The involvement of each member of the SB, the culture within the SB and the relationship between the MB and the SB shall be part of this evaluation.*

#### Notes & Explanations

As per the SB Policy "The performance of SB members shall be assessed under independent external supervision once every three years". Based on the members' self-assessment and individual interviews conducted by experts on corporate governance as facilitator, the independent evaluation of the SB took place in the third quarter of 2013 and fourth quarter of 2017. The outcome of these evaluations was discussed among the members with the respective facilitator in closed sessions. The SB is of the opinion that such evaluations further cement the already constructive working principles of the Board by providing an additional open and congenial discussion platform, with a view to constantly adapting to the continuously changing banking environment.

- 3.5** *Each member of the SB shall receive an appropriate compensation in relation to the time required for the activities. This compensation does not depend on the results of the bank.*

#### Notes & Explanations

As per the SB Policy "Each member of the SB shall receive suitable compensation for the time spent. The remuneration of the SB members is a fixed amount and determined in the General Meeting of Shareholders and is not dependent on results of the Bank". The remuneration of the SB members is disclosed in the annual reports of DHB Bank.

## **4** Managing Board

- 4.1** *The Managing Board shall be composed in such a way that it can fulfil its task as it should. Each member of the MB shall be aware of the social role of a bank and of the interests of the different stakeholders.*

#### Notes & Explanations

The Managing Board of DHB Bank (MB) consists of three members with different but complementary and long-term backgrounds in the banking sector and with awareness pertaining to a bank's economic and social roles.

All the deliberations, strategic planning and day-to-day management of the MB are conducted on a collegial basis, also with a view towards balancing the interest of all of the bank's stakeholders. Adhering to these guiding principles, the MB frequently consults the senior management of the bank as well, and a majority of the resolutions are taken following discussions and deliberations at various bank committee meetings. Apart from such regular and frequent meetings, the MB also convenes at

least once a month to discuss generic agenda items. The brief resumes of the MB members are presented in the section “Corporate Governance” of the bank’s annual reports.

- 4.2** *One of the members of the MB shall have the task of preparing the decision-making process within the MB with regard to risk management. The involved member of the MB shall be involved in a timely fashion in the preparation of decisions that have a material meaning for the bank for the risk profile, particularly where these decisions may result in derogation from the risk preparedness approved of by the SB. The member may combine his/her office with other areas of special attention, on the condition that he/she does not carry any individual commercial responsibility for and functions independently from commercial areas of responsibility.*

*In practicing the risk-management function, the effect that systemic risks may have on the risk profile of the bank shall also be focused on.*

#### Notes & Explanations

While being jointly responsible for the management of DHB Bank, the members of the MB have separate primary responsibilities. In this framework, the MB member whose primary responsibilities include, among others, the commercial activities of the bank, is not directly involved in risk management. The utmost care is jointly taken not to deviate from the risk appetite statement, and slight deviations are tackled under consultancy with the SB if/when they occur. The continuity of DHB Bank is the core driver behind risk management. Going beyond the production and review of detailed management information system reports, risk management is a continuous process handled via the different committees of the bank, some of which are Asset / Liability Committee, Credit Committee, and Organization and Control Committee.

The effect that systemic risks may have on the risk profile of the bank is an attention item frequently discussed at, for example, ALCO and credit committee meetings, and is also part of the bank’s annual exercise in relation to ICAAP and ILAAP.

- 4.3** *The chairman of the MB shall supervise the presence of a programme of continuing training for all members of the MB. The objective of this programme shall be to maintain the expertise of the directors and, where necessary, to broaden it.*

*In any case, the education is shall be related to relevant developments within the bank and the financial sector, with corporate governance in general and that of the financial sector in particular, with the duty of care toward and the interest of the customer, integrity, risk management, financial reporting and audit.*

*Each member of the MB shall participate in the programme and comply with the requirements of continuing training.*

#### Notes & Explanations

DHB Bank has in place a lifelong learning policy that describes the necessary qualifications for the members of the MB – and the SB – and the methods by which their knowledge base will be maintained to fulfil their respective responsibilities via lifelong learning sessions. The main subjects of lifelong learning sessions are:

- 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 and interests of the client;
- integrity;
- ICT-systems;

- compliance;
- risk management;
- accounting principles and financial reporting;
- audit.

The Senior General Manager determines at the beginning of each year the subjects of the lifelong learning session.

Since 2011, all the MB and SB members in office took part in lifelong learning sessions relating to many subjects concerning banking such as governance, reporting, accounting, risk management, i.e. developments related to the bank and the banking sector.

## 5 Risk Policy

- 5.1 *The risk policy of a bank shall be characterised by an integral approach, shall be transparent and shall be aimed at both the short term and the long term. The risk policy shall also take into account reputational risks and non-financial risks*

### Notes & Explanations

DHB Bank's risk policy as laid out in its yearly revised Risk Appetite Framework and Risk Appetite Statement, and applied throughout the whole organization and in different contexts such as budgeting and strategy development, is characterized by a an integral approach and is aimed at both the short-term and long-term.

The risk policy takes into account reputational risks and non-financial risks, such as regulatory risks, and comprises both quantitative and qualitative dimensions.

- 5.2 *The MB of a bank shall be responsible for the risk policy of the bank and guarantee a sufficient risk management.*

### Notes & Explanations

The MB is responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank's overall risk policy, as is also more extensively set out in the MB Policy.

The continuity of DHB Bank is the core driver behind risk management. Going beyond the production and review of detailed management information system reports, risk management is a continuous process handled via the different committees of the bank, some of which are Asset / Liability Committee, and Credit Committee.. The MB members are also members of these committees. Decisions that are of material significance for the risk profile, the capital allocation or the liquidity are always taken by the MB.

- 5.3 *At the suggestion of the MB, the risk preparedness shall be submitted at least once a year to the SB for approval. Any interim material changes of the risk preparedness shall also be submitted to the SB for approval.*

### Notes & Explanations

The yearly risk appetite framework and risk appetite statement of DHB Bank is proposed by the MB and approved following deliberations by the SB. Not only interim material changes but also, if and when they occur, slight deviations are submitted to the SB for review and approval.

The 2017 risk appetite statement of the bank was approved by the SB on 16 December 2016.

- 5.4** *The SB shall supervise the risk policy administered by the MB. To that end, the SB shall discuss the risk profile of the bank and assess at a strategic level whether allocation of capital and liquid assets tied up generally agree with the approved risk preparedness and whether the business activities in general fit within the risk preparedness of the bank. In practicing this supervisory role, the SB shall be advised by the risk committee of the SB.*

Notes & Explanations

The SB exercises its oversight of risk management principally through the Risk and Audit Committee (RAC), whose members are elected from the SB members. The RAC meets periodically, analyses the bank's risk profile and assesses at a strategic level whether capital allocation and liquidity impact are in line with the approved risk appetite. Through planning and assessments conducted and reports prepared by Risk Management Department, Internal Audit Department (IAD) and Compliance and Internal Control (CIC), RAC is also responsible for the oversight of policies and processes by which risk assessment and management are undertaken within the governance structure, all in the framework of the bank's approved risk appetite statement.

Furthermore, through periodical SB meetings regularly also attended by the MB members, direct communication lines between the SB and MB members, and periodical management information reports or ad hoc reports, depending on the topic, which are relayed to the SB, the MB systematically provides the SB with relevant information for its assessment in such a way that the SB is equipped to form a sound opinion.

**6** Audit

- 6.1** *The MB of a bank shall ensure systemic monitoring of the management of the risks that are connected to the business activities of the bank.*

Notes & Explanations

DHB Bank has in place an Internal Audit Charter (IAC) that describes the purpose, function, authorities, responsibilities and the organization of the Internal Audit Department (IAD). As per the IAC, the MB ensures that IAD is provided with information necessary to conduct a systemic audit, among others.

- 6.2** *To that end, there shall be an independently positioned internal audit function within a bank. The head of that audit function shall report to the chairman of the MB. He shall also have a direct reporting line to the chairman of the audit committee of the SB.*

Notes & Explanations

DHB Bank has its own IAD, which has an independent position within the bank. The head of internal audit has a direct access to the Chairman of the Risk and Audit Committee (RAC) in addition to the MB. This further strengthens his independence. He presents his reports and findings accordingly.

Among its many responsibilities, the IAD has the task to assess every year whether the internal control measures have been designed properly, and whether they are present and working effectively. This assessment includes the quality and effectiveness of the system of governance, risk management and the bank's control processes. The IAD reports its findings to the MB and to the RAC. RAC meetings are also attended by the Compliance Officer as well as by DHB Bank's external auditors Deloitte Accountants BV.

The head of IAD report to the chairman of the MB (senior general manager) who is responsible for the overall risk management structure of the bank.

- 6.3** *There shall be a periodic information exchange between the internal audit function, the external auditor and the audit committee of the SB.*

Notes & Explanations

The periodical meetings of the RAC, whose members have sound knowledge and/or experience of the financial aspects of risk management and/or of audit and internal control systems, are also attended by the MB members, by the Head of Internal Audit, by the Head of the Risk Management Department, by the Compliance Officer, by the Assistant General Manager of Credit Departments and by representatives of the bank's external auditor. Apart from financial reporting, internal audit, internal control systems and risk management policies and practices, other subjects regularly reviewed include credit risk, corporate governance and its applications, compliance, as well as the assessment of the bank's risk appetite and its risk profile vis-à-vis the respective risk appetite.

- 6.4** *At an early stage, the internal audit function shall initiate a discussion of each other's risk analysis, findings and audit plan with DNB and the external auditor at least once a year.*

*The MB and the internal audit function of the bank shall promote the periodic occurrence of this tripartite consultation. In this they shall aim at a clear delineation of one another's tasks and responsibilities.*

Notes & Explanations

Supported by the MB, the Head of Internal Audit has the responsibility of arranging talks with De Nederlandsche Bank (DNB) and the external auditor at least once a year, to discuss each other's risk analysis and findings, as well as each other's audit plan. In the tripartite meetings of 2016 attended by the representatives of De Nederlandsche Bank (the Dutch Central Bank, DNB), EY, the Internal Audit Department and the MB, various aspects of reporting, internal audit and risk management in relation to DHB Bank were discussed.

**7** Remuneration Policy

- 7.1** *A bank shall pursue a careful, controlled and durable remuneration policy that is clear and transparent, in line with national and international regulations. The remuneration policy shall be aimed primarily at the long term and in line with the risk policy of the bank. It shall be characterised by balanced relationships, both internal and external, by which the expectations of the different stakeholders and the social basis of support shall be taken into account. It shall also take into account the relevant international context.*

Notes & Explanations

DHB Bank's current Remuneration Policy, which possesses a clear and non-ambiguous characteristic, was approved by the General Meeting of Shareholders (GMS) in April 2011, was further developed in subsequent years with respect to new regulations in this area. It is composed of 4 sub-policies that have separate stipulations for the members of the MB, for the members of senior staff in general, for senior staff engaged in risk management and control functions, and for other staff members.

The body overseeing the remuneration of the MB members is the GMS with the recommendation of the SB. With the prior approval of the SB, the MB decides on the remuneration for the senior staff in general and senior staff engaged in risk management and control functions. The MB is authorized to independently arrange the remuneration of the other staff members.

The remuneration policy stipulates criteria according to many financial and non-financial objectives, all reflecting the bank's long-term strategies and risk policy. From these objectives, performance targets are derived for staff members throughout the organization.

The remuneration of SB and MB members is reported in the annual reports of the bank.

**7.2** *The total income of a member of the MB of a bank shall, at the time of adoption, be below the median for comparable positions within and outside of the financial sector, taking into account the relevant international context.*

*The variable remuneration of a member of the MB shall be established in agreement with national and international regulations.*

#### Notes & Explanations

When the new Managing Board members were appointed in 2013, the salary proposals were benchmarked against national and international standards and resulted consequently in a salary level that meets the requirements of the previous Banking Code.

As per the bank's Remuneration Policy "The variable remuneration of the members of the MB is linked to predefined, assessable and influence-able criteria, taking into account the performance of the member of the MB concerned and the results of the Bank as a whole. The most important expectations regarding the performance of the members of the MB are sustainable long-term financial strength of the Bank, sustainable earnings at levels of return expected by the SB and application of sound Risk Management practices, including – but not limited to – the avoidance of unnecessary reputational risk, rather than increasing short-term profits. A substantial portion, and in any event at least 40% of the variable remuneration has to be conditional and deferred over a period of at least three years which is consistent with the business cycle, the nature of the business, its risks and the activities of the member of the MB concerned".