
Remuneration Policy

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1. Legal background

The EU Regulation 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) and the translation into the Belgian law through the adaptation of the law of the 27th of October 2006, have set the requirement for a remuneration policy.

Article 77/1 of subsection 3, Belgian law of 27th of October, 2006

Remuneration policy: Member States shall require IORPs to establish and apply a sound remuneration policy for all those persons who effectively run the IORP, carry out key functions and other categories of staff whose professional activities have a material impact on the risk profile of the IORP in a manner that is proportionate to their size and internal organisation, as well as to the size, nature, scale and complexity of their activities.

Unless otherwise provided for in Regulation (EU) 2016/679, IORPs shall regularly disclose publicly relevant information regarding their remuneration policy.

When establishing and applying the remuneration policy referred to in paragraph 1, IORPs shall comply with the following principles:

- the remuneration policy shall be established, implemented and maintained in line with the activities, risk profile, objectives, and the long-term interest, financial stability and performance of the IORP as a whole, and shall support the sound, prudent and effective management of IORPs;
- the remuneration policy shall be in line with the long-term interests of members and beneficiaries of pension schemes operated by the IORP;
- the remuneration policy shall include measures aimed at avoiding conflicts of interest;
- the remuneration policy shall be consistent with sound and effective risk management and shall not encourage risk-taking which is inconsistent with the risk profiles and rules of the IORP;
- the remuneration policy shall apply to the IORP and to the service providers referred to in Article 31(1), unless those service providers are covered by the Directives referred to in point (b) of Article 2(2);
- the IORP shall establish the general principles of the remuneration policy, shall review and update it at least every three years, and shall be responsible for its implementation;
- there shall be clear, transparent and effective governance with regard to remuneration and its oversight.

Directive 2016/2341EG, Whereas 53

A point that has not been taken into the Belgian legislation but is in the EU Directive stipulates that remuneration policies which encourage excessive risk-taking behaviour can undermine the sound and effective risk management of IORPs. Principles and disclosure requirements for remuneration policies applicable to other financial institutions in the Union should also be made applicable to IORPs, bearing in mind, however, the particular governance structure of IORPs in comparison to other financial institutions and the need to take account of the size, nature, scale and complexity of the activities of IORPs.

2. Purpose

Within the frame of the EU Directive and its translation into Belgian law, this remuneration policy aims to ensure that the personal objectives of the various stakeholders of NEPF are aligned with the long-term interests of the members. To this end, NEPF maintains a remuneration policy and remuneration practices that promote effective risk management and strives for remuneration structures that avoid unnecessary complexity and conflict of interest. Due to the nature of its activities, it is the essential that NEPF enforces policies that will not lead to excessive or inappropriate risk taking or encourage decisions that would lead to decisions that are not in line with the risk profile or not in line with the main objective: ensuring the intergenerational balance of the pension schemes.

3. Scope

The remuneration policy concerns all activities that have to be assured for the Fund, either performed by:

- NEPF through its own staff, staff delegated to NEPF or through its bodies (ManCom, IC, ACC, Board of Directors, etc.);
- Third party service providers (all outsourced activities).

4. Responsibility for this policy

The General Assembly is the body responsible for voting on the introduction and adjustments of the remuneration policy. Prior to any new version of this policy to be adopted, the potential impact on the overall risk profile of the fund shall be assessed.

The enforcement of the remuneration policy is positioned with the Board of Directors. The Audit and Compliance committee and the Compliance officer will ensure correct application and execution of the remuneration policy.

5. Remuneration for the bodies of NEPF

To determine the remuneration for these bodies, the Board of Directors will make sure the remuneration is in line with the activities, risk profile, objectives, and the long-term interest, financial stability and performance of NEPF, and shall support its sound, prudent and effective management.

The bodies of NEPF are: the General Assembly, the Board, the IC, the ACC and the Management Committee (ManCom).

Members of these bodies are all Nestlé employees. This doesn't pre-empt on future potential external membership, should a need arise, but reflects current status. The Remuneration policy will be amended prior to reaching an agreement with an external.

As a principle, members of the bodies of NEPF are not remunerated.

NEPF recognizes that these individuals are paid by employers that might not be sponsoring undertakings of NEPF. Notwithstanding the fact, that individuals are not remunerated, NEPF could reimburse travel expenses or pay directly the costs (e.g. hotels, meals) linked to their activity for NEPF. Also recognizing the commitment of these individuals on top of their normal

activities, NEPF might entertain them for lunch or dinner, within guidance provided by Nestlé for such matters.

6. Staff of NEPF or staff delegated to NEPF

Congruous with article 5 of the current policy, the mandates of the Managing Directors/members of the Management Committee entrusted with daily management of NEPF itself are unpaid. However, NEPF has a service level agreement (SLA) with Nestlé Belgilux SA for the members of the Management Committee. The members of the Management Committee are employees of Nestlé companies assigned to NEPF. The overall costs of these employees are part of the budget of NEPF. As such they are approved upfront by the Board for the part invoiced to NEPF and budget consumption is monitored on a regular basis.

The fact that the members of the Management Committee are employees of Nestlé companies, does not affect the rules of these remuneration policy, both the SLA and remuneration of the employees must respect this remuneration policy.

6.1. Total remuneration

The total remuneration for the employees of NEPF is subject to the Law of 25th of April 2014 on the legal status and supervision of credit institutions and stockbroking firms.

The total remuneration may consist of the following elements:

- fixed pay
- variable pay
- benefits

6.1.1. Fixed Pay

The fixed pay is split in base salary and cash allowances.

The base salary is the foundation of Total Rewards as most other elements are built on or linked to it. The base salary is dependent on the type of job, the years of service and the performance during the career.

Cash allowances form part of the fixed pay. The cash allowances will be in line with the necessities and requirements of the job content.

6.1.2. Variable Pay

The purpose of variable remuneration schemes is to ensure that employees are motivated to perform beyond expectations, individually and collectively, by adjusting their earnings to expected business results and achievements, so fostering greater innovation and entrepreneurship. The variable pay consists of short-term bonuses (STB) and possible long term incentives.

The variable pay for each person is limited to the highest amount of either 50% of the fixed pay or the amount of € 50.000. The variable amount cannot be higher than the base salary.

6.1.3. Benefits

NEPF may foresee a benefit programme for its employees. The benefit programme has to be affordable and sustainable and under no circumstances lead to an increase in risk or encourage employees to take risks. The design and delivery of these benefits must be at all times compliant with local mandatory and social security requirements.

6.2. Reimbursement of expenses

Costs for business travels are at the charge of the employer and should be seen as "no loss, no gain" and cannot be seen as salary advantage or any kind of other benefit for the employee. The arrangement best serving the work requirements, administrative efficiency while keeping costs down should be selected. When travelling, employees should manage their time in the best interest of the company and adapt to local working arrangements. The reimbursement of expenses will always need the approval of the line manager.

7. Outsourced activities

Congruous with the terms of the Law, NEPF has to set-up the infrastructure that meet the best long term interests of all its stakeholders. This might imply that the best fit might not always be the cheapest one.

When selecting an external service provider, NEPF shall ensure that it has a reliable and transparent picture of the external service provider. The selection of the service provider is embedded in NEPF Outsourcing policy and ensures the most suitable provider is chosen.

Both the Law¹ and the Circular² insist on the fact that outsourcing does not diminish the responsibility of the various bodies of NEPF toward its members & beneficiaries, sponsoring undertakings or the supervisory authorities. In a nutshell, the Board remains responsible at all times for the remuneration of the outsourced activities.

As part of its outsourcing policy, NEPF will conduct a thorough selection process (including Request for Proposals). One of the items will be the fee paid for the services rendered. Contractual arrangement will be laid down in an agreement. The Board is responsible for mandating third party providers, define their remuneration and monitor completion of their services. In principle, no service shall be sought for without prior contractual arrangement and prior approval of the relevant budget.

NEPF will favour flat fee above flexible remuneration, but will align with market practices.

In relation to asset management, NEPF will favour flat management fees to performance fees, when market practice allows.


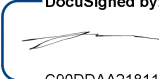
¹ Belgian Law of October 27, 2006

² Circular CPP-2007-2-WIBP of May 23, 2007

8. Document control & history

| DOCUMENT CONTROL | | | | |
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NB : Current version is highlighted in Blue (all approvals granted)

| Signatures by ManCom & date | |
|--|--|
| <p><i>By signing the ManCom is confirming that the above steps have been fulfilled and that validations have been granted, so that the procedure is "Approved" and thus current.</i></p> | <p>27/11/2020</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>DocuSigned by:</p>  <p>E1DBC1A1680645C...</p> </div> <div style="text-align: center;"> <p>DocuSigned by:</p>  <p>C90DDAA218114C7...</p> </div> </div> |