

## Remuneration report

### Our vision

Eureko is an enterprise with cooperative roots dating back to 1811. It is not a quoted company and profit is never an end in itself. Its operations are primarily investment-centred, with the aim of maintaining the continuity and delivering the value creation needed to achieve the long-term targets in the interests of all our stakeholders. The customer's interests are central to Eureko's activities. This is an integral part of Eureko's identity, vision and structure, in which the interests of the shareholders and customers coincide, because the cooperative shareholders primarily represent the customers and their interests. Consistent with its identity, Eureko works with a four-stakeholder model:

1. Customers.  
Eureko seeks to provide solutions that customers understand, choose and recommend. The customer is central to all Eureko's activities.
2. Shareholders.  
Within the constraints of its risk profile, Eureko aims to achieve above-average performance so that it can invest in solutions for its customers and for the community. It has chosen long-term value creation over short-term profit maximisation.
3. Staff.  
Eureko's staff are well qualified and committed.
4. Distribution partners.  
Eureko works with partners in strategic alliances, always putting the customer's interests first.

### Remuneration policy

Eureko's remuneration policy, starting with the Executive Board, is based on this model.

The policy applies to the Eureko/Achmea Group in the Netherlands, at holding company, division and business unit level, and to the foreign subsidiaries. The same targets and principles apply in all cases:

1. The remuneration policy is consistent with our identity, in that we seek to apply a policy that is controlled, that exhibits no excesses and that offers no undesirable incentives. The policy must be clear and simple. That means, for example, that there is no room for incentives that are complex or lack transparency. It must also be innovative, working at the interface between the organisation and the community. The tangible and intangible employment terms it offers must reflect this, for example in provisions relating to work/life balance, diversity and health care.
2. The remuneration must be of a level and the content of the remuneration policy of a quality to enable Eureko to attract talent on the labour market and retain it. In terms of positioning, we aim for a median level from the 'total remuneration' perspective – not just the primary remuneration, but also the various other elements: fixed and variable remuneration and secondary and tertiary terms of employment, including pensions.
3. The internal remuneration relationships must be fair. For example, in the Netherlands the same initial increase is applied to the salaries of the Executive Board and the senior management as to the salaries of staff covered by the collective labour agreement.

4. Variable remuneration can help to direct behaviour towards the desired targets, which are dictated by our identity. Viewed in that light, variable remuneration is an aid to motivation. We implement variable remuneration on the basis of our stakeholder model, embodying a mix of performance targets and criteria which reflect that model in a balanced manner.

## **Governance**

Eureko's general remuneration policy for the Netherlands and other countries is adopted by the Supervisory Board. The Remuneration Committee formed by the Supervisory Board plays an essential role in preparing, advising on and monitoring the policy. The next primary responsibility of the Remuneration Committee is to set the annual targets for and assess the results achieved by the Executive Board. The Remuneration Committee also performs a monitoring and control function with respect to implementation of the remuneration policy for all the senior management of the Group's Dutch and foreign companies, which is primarily the responsibility of the Executive Board.

On a proposal of the Remuneration Committee, the Supervisory Board worked with the Executive Board in 2010 and 2011 on revising the Eureko remuneration policy on the basis of the newly formulated strategy and identity that followed from Eureko's ambition to be the 'most trusted insurance company', the supplementary regulations imposed at that time by the regulators and the current social developments. The changes made in 2010 were initiated by Eureko itself, the most significant being the termination of the share option plan because it was no longer regarded as consistent with Eureko's cooperative identity. The changes in 2011 followed from DNB's new Regulations on Sound Remuneration Policies in implementation of the European Capital Requirements Directive III and the rules of the Committee of European Banking Supervisors. The Remuneration Committee also checks that the remuneration policy is kept up to date to reflect any new or amended primary and secondary legislation. The Committee maintains its level of expertise through education and/or by calling on the advice of external remuneration experts at board level. Those with ultimate responsibility for risk management and control functions within the Group, such as Internal Audit, Compliance and Risk Management, and Group HR have a direct line to the chairman of the Remuneration Committee if needed.

## **2010 revision of remuneration structure for Executive Board members**

Following the reformulation of Eureko's identity, a start was made at the end of 2009 on a review of the remuneration structure for the Executive Board and the senior management. This also involved bringing the structure into line where necessary with the then current supervision rules and codes of conduct. The revised remuneration structure was adopted by the Supervisory Board in early March 2010. The main changes were:

- the termination of the share option plan, because it was no longer consistent with Eureko's identity;
- the introduction of a new variable remuneration structure, based closely on the stakeholder model;
- part of this structure is the conditional award of deferred variable remuneration. As from the year 2010, 50% of the variable remuneration for the year 2009 was awarded and

paid in cash and 50% was conditionally awarded and deferred. Depending on the outcome of a performance appraisal over time, the deferred variable remuneration is payable in three equal instalments in each of the three years following the year in which the variable remuneration was first awarded.

The review of the remuneration structure also included tightening up the application and governance of the remuneration structure and variable remuneration, so that the remuneration structure complies fully with the requirements of the stakeholder model and the supervision rules and codes of conduct. The current remuneration structure for the Executive Board is described below.

### **Fixed remuneration**

The job content and responsibilities of the chairman, the vice-chairman and the members of the Executive Board dictate the level of their positions. Individual positions are weighted to reflect such aspects as the impact and level of responsibility of the position, the complexity of the management context in which the holder of the position operates and the expertise which this requires.

To determine the level of the position and the (fixed) remuneration, the Supervisory Board periodically commissions a benchmark survey, comparing the total remuneration level with that for positions of a similar weighting in a similar context. The peer group is made up of comparable enterprises in the financial sector and outside, based both in the Netherlands and in other countries.

The average fixed remuneration of the members of the Executive Board is shown in table 1.

### **Variable remuneration**

The chairman, vice-chairman and members of the Executive Board are eligible for variable remuneration up to a maximum of 85% of the fixed annual salary. The percentage awarded in any year depends on the extent to which a mix of predetermined long-term and short- to medium-term performance targets are met. A maximum of an extra 15% may be awarded for exceptional performance. The maximum percentage of variable remuneration that can currently be awarded is 100% in all cases. This is the ceiling set by the Governance Principles of the Dutch Association of Insurers and the Banking Code. The percentage of variable remuneration to be awarded is set annually by the Supervisory Board.

#### *Half of the variable remuneration is deferred*

The variable remuneration is not awarded until the year after the year for which the targets have been agreed and adopted. When it is decided to award variable remuneration:

- 50% is paid direct as variable remuneration in cash.
- 50% is awarded conditionally and deferred. Depending on the outcome of a performance appraisal over time, the conditionally awarded and deferred variable remuneration for 2009 and 2010 will be payable in three equal instalments in each of the three years following the year in which the variable remuneration was first awarded. For 2011, a

different period will apply to the deferred part of the remuneration awarded for that year onwards, in compliance with DNB's Regulations on Sound Remuneration Policies.

The variable remuneration awarded and paid in 2011 in respect of 2010 is shown in table 1. Following assessment by the Supervisory Board, one-third of the conditionally awarded deferred variable remuneration in respect of 2009 was also paid in 2011.

#### *Nature of performance targets*

Half of the targets are long-term targets based on the Strategic Plan, which covers a rolling five-year period. The other half are targets with a planning horizon of between one and three years, based on and relating to the long-term Strategic Plan and the Business Plan. The focus is expressly on the long term, consistent with Eureka's revised identity and focus on long-term value creation for more stakeholders (stakeholder model), in which top priority is given to customer interests and risk management. The performance targets are set at group and individual level. In the assessment of performance against targets, the group-level result is given equal weighting with the individual performance targets based on it.

The agreed performance targets are a balanced reflection of the stakeholder model. The main focus is on the sustainable contribution made to more (groups of) stakeholders (see under 'Remuneration policy'). Both quantitative and more qualitative targets are set. The performance targets are both financial and non-financial.

A balanced mix of performance targets is agreed which:

- adequately reflects the policy of putting the customer's interests first (covering not just customer satisfaction but also responsible product development, quality of advice etc.);
- ensures a managed risk profile for the group in which requirements are defined for the solvency and liquidity position;
- ensures an effective integrated risk management framework;
- takes account of the sustainable deployability of the staff, including a progressive diversity policy and a high degree of employee involvement;
- promotes closer cooperation with strategic partners;
- visibly demonstrates Eureka's concern with and contribution to social issues.

#### **Pensions**

There is a contribution-free pension plan for the members of the Executive Board, the main provisions of which include:

- retirement at 65;
- final-salary plan;
- accrual rate 2% per year of service;
- deduction for the state pension benefit €15,449;
- survivor's pension of 70% of the whole-life retirement pension;
- pension accrual based on the fixed annual salary only.

The average pension cost (based on IFRS) per Executive Board member is shown in table 1.

**Table 1: Current Executive Board remuneration structure**  
(based on the remuneration policy as revised in 2010)

	Fixed (1)	Variable (2)	Pension (3)
Average per Executive Board member	636	504, of which: 252 paid in cash 252 deferred	216

1) Record date 01.01.2011, rounded amounts x €1,000.

2) Award of variable remuneration for 2010, as adopted by the Remuneration Committee on 8 March 2011 and approved by the Supervisory Board on 10 March 2011, rounded amounts x €1,000.

3) Record date 01.01.2011, rounded amounts x €1,000.

## **Other emoluments**

### *Company car*

A leased car is provided under the terms of employment of Executive Board members. The standard lease costs an average of €2,975 per month, including fuel etc. One of the criteria governing the choice of leased car is sustainability, i.e. the car must be energy-efficient (A, B or C label). Company chauffeurs are provided for Executive Board members.

### *Fixed expense allowance*

The members of the Executive Board are given a fixed expense allowance, which is partly taxed and partly untaxed. The taxed portion averages €8,700 per member per year and the untaxed portion averages €1,200 per member per year.

### *Other terms of employment*

In all other respects, the same terms of employment apply as those applying to the senior management and/or staff covered by the collective labour agreement, such as a staff mortgage scheme and the current staff discount on insurance products.

### *Severance payments*

On appointment to the Executive Board, members have qualified since 1 June 2008 for a severance payment of 12 times their fixed monthly salary. In the case of members appointed to the Executive Board before 1 June 2008, the severance payment is based on the number of years' service, subject to a maximum of 36 months' salary.

### *Life-cycle plan ("Levensloopregeling")*

In accordance with the changes to the Dutch pension system under the Act amending the tax treatment of early retirement pension and introducing life-cycle plans, the employer contributes to a life-cycle plan for four members of the Executive Board. No such contribution is paid for the other Executive Board member.

The contribution is actually paid into life-cycle plans for three of the Executive Board members. The fourth member who is eligible to the life-cycle plan contribution, chooses to receive this as a gross payment that is not actually paid into a life-cycle plan.

## **2010 revision of remuneration structure for divisional chairmen and the directors in the Netherlands**

### **Remuneration principles**

The job content and responsibilities dictate the level of these positions. Positions are classified with reference to a grading system defined by the Executive Board on the basis of job evaluation, whereby positions are weighted to reflect the impact and level of responsibility of the position, the (professional) expertise required to perform the function, the political/management context (and/or the ability to influence it), the risk of harm to the company's image inherent in the position and the organisational scope and complexity of the management function.

### **Level of fixed remuneration**

The remuneration of divisional chairmen is at Eureka band 1 level. The divisional and group directors are allocated to salary scales in Eureka band 2.

The salary scales are in principle measured every two years against the remuneration paid in the external labour market. The Executive Board then decides whether the salary scales require adjustment and, if so, by what percentage, on the basis of the findings of benchmark surveys by external consultants. The scale salaries are shown in table 2.

### **Variable remuneration**

Divisional chairmen and the directors may qualify for variable remuneration. The maximum percentages are different for each Eureka band and are shown in table 2.

- The variable remuneration is not awarded until the year after the year for which the targets have been agreed and adopted. When it is decided to award variable remuneration:
  - 50% is paid direct as variable remuneration in cash.
  - 50% is awarded conditionally and deferred.

Depending on the outcome of a performance appraisal over time, the conditionally awarded and deferred variable remuneration for 2009 and 2010 will be payable in three equal instalments in each of the three years following the year in which the variable remuneration was awarded. For 2011, a different period will apply to the deferred part of the remuneration awarded for that year onwards, in compliance with DNB's Regulations on Sound Remuneration Policies.

Following assessment by the Executive Board, one-third of the conditionally awarded deferred variable remuneration in respect of 2009 was also paid to divisional chairmen and the directors in 2011.

*Table 2: Current remuneration structure for divisional chairmen and the directors in the Netherlands* (based on the remuneration policy as revised in 2010)

<b>Eureko band</b>	<b>Scale: min – max (1)</b>	<b>Variable remuneration (2)</b>	<b>% variable remuneration awarded for 2010 (3)</b>	<b>Number</b>
1	230-329	Maximum of 55% for on-target performance + maximum of 15% additional remuneration for outperformance	Average 47.3%, of fixed salary	10
2A	153-236	Maximum of 35% for on-target performance + maximum of 15% additional remuneration for outperformance	Average 26.6 % of fixed salary	8
2B	131-208			41
2C	110-170			13

1) Scale salary including holiday allowance and 13th month as from 01.01.2011 (x €1,000).

2) Variable remuneration as percentage of fixed annual salary.

3) Award of variable remuneration for 2010, as adopted by the Remuneration Committee on 8 March 2011 and approved by the Supervisory Board on 10 March 2011. The variable remuneration is shown as an average percentage of the fixed remuneration. Half of the variable remuneration awarded is paid in cash and the other half is conditionally awarded and deferred.

## **Other aspects**

### *Penalty*

The Supervisory Board has powers to impose a penalty if – after reassessment or otherwise – it considers that the performance targets achieved are unsustainable. In that case, the Supervisory Board may decide at its discretion to revise the variable remuneration downwards or to pay no variable remuneration.

### *Clawback*

Eureko's remuneration policy also includes a clawback provision which is applicable to variable remuneration paid or awarded to members of the Executive Board and divisional chairmen. The power to impose clawback and decide the extent to which it is applied is vested in the Supervisory Board with respect to Executive Board members and in the Executive Board with respect to divisional chairmen.

The power to apply clawback is exercised if:

- variable remuneration has been awarded on the basis of incorrect information;
- variable remuneration is unfair due to exceptional circumstances prevailing in the period in which the predetermined performance criteria have been or are to be met.

The Supervisory Board also has powers to apply clawback in the case of fraud, deception or other culpable act.

The clawback cannot exceed the net amount of variable remuneration previously paid. The power to apply clawback expires two years after payment of the variable remuneration.

**Conclusion**

It is our intention to make the remuneration report more detailed in the near future. The Supervisory Board made a number of changes to the remuneration policy in 2010 to bring it into line with DNB's 2011 Regulations on Sound Remuneration Policies, based on the European Capital Requirements Directive III, which have also been declared applicable to insurance companies. These changes will of course be covered in Eureka's 2011 annual report, which will be published in 2012.