

# Application of the Dutch Banking Code 2015

by LeasePlan Corporation N.V. (November 2016)

## 1 Introduction

The Social Charter, the Banking Code and the Rules of Conduct associated with the bankers' oath together form a package called 'Future-oriented Banking'. The Social Charter describes the (preferred) position of the sector as a whole in society and the shared values of the sector. The Banking Code safeguards sound administration at every bank and the Rules of Conduct make the responsibility of every individual employee at the bank explicit. These building blocks visualise the way in which the sector wishes to warrant an ethical, customer-oriented and sustainable sector. LeasePlan Corporation N.V. ("LeasePlan") underwrites the Social Charter and will continue to operate pursuant to the principles of the Banking Code (2015). This is reflected in the LeasePlan Code of Conduct and LeasePlan's Mission, Vision and Strategy.

## 2 Sound an ethical operational management

**2.1 To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility.**

LeasePlan applies this principle.

LeasePlan considers the trust and confidence of its stakeholders – clients, shareholders, suppliers, society and its employees – crucial to its success. The Managing Board has adopted the Core Values, the LeasePlan Code of Conduct and a mission, vision and strategy. LeasePlan is dedicated to conducting its business in a responsible and sustainable way and aims for a profitable operation with added value for all its stakeholders while managing the social, economical and environmental impact. LeasePlan does this by striving to balance the interests of people, planet and profit.

**2.2 A bank chooses its positioning such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.**

LeasePlan applies this principle.

LeasePlan understands its responsibilities towards its clients and drivers, society in general and the environment and is mindful of the impact of its operations. In achieving its growth ambitions, LeasePlan recognises that the long-term interests of our stakeholders are best served by acting in a socially responsible and sustainable manner.



Our corporate social responsibility includes supporting the communities in which we operate and the wider society by allocating our time, expertise, and resources to dedicated initiatives and programmes.

**2.3. The Executive Board and Supervisory Board are – with due regard for each other’s duties and powers – responsible for setting up a sound governance structure and compliance with the governance principles.**

LeasePlan applies this principle.

A robust corporate governance framework is in place at LeasePlan, guiding the company’s conduct and strategic aims. It is an imperative that this well-defined framework is supported by the right culture, values and behaviours, both at the top and throughout the entire organisation.

**2.4. The members of these boards will set an example to all of the bank’s employees and exhibit this in their day-to-day activities. The Supervisory Board will evaluate the way the members of the executive board are setting an example each year.**

LeasePlan applies this principle.

The members of the Managing Board and the Supervisory Board display example behaviour. They set the standard for the LeasePlan employees in their daily activities. LeasePlan’s annual Global Integrity Survey measures the employees’ perception of the Seven Elements of an ethical culture in their entity. One of the topics in the Survey is Tone at the Top.

The Supervisory Board on a yearly basis evaluates the example behaviour by the members of the Managing Board.

**2.5. The Executive Board and Supervisory Board are – with due regard for each other’s duties and powers – responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank.**

LeasePlan applies this principle.

The LeasePlan Code of Conduct and the Core Values have been adopted by the Managing Board. The Code of Conduct provides a framework for responsible business decisions in many everyday situations faced by the LeasePlan employees worldwide. It puts our company values – commitment, expertise, passion and respect – into action. The Managing Board ensures that the Banker’s Oath is taken by all relevant employees. The Supervisory Board is responsible for assessing the performance of the members of the Managing Board.

**2.5.1. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the Executive Board and Supervisory Board.**

LeasePlan applies this principle.

The Group Compliance Officer is appointed by the Chairman of the Managing Board and has a direct reporting line to the Chairman of the Managing Board and to the Audit Committee of the Supervisory Board. The Compliance Charter describes the governance of the independent compliance function both locally and on a central level. The Compliance Risk Management Framework states the methodology



used within LeasePlan for managing compliance risks. It also intends to help the business in effectively managing the compliance risks they face.

**2.6. The Executive Board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.**

LeasePlan applies this principle.

The Managing Board promotes responsible behaviour and a healthy culture throughout the organisation. To this purpose the Managing Board adopted the Core Values and the LeasePlan Code of Conduct. The Supervisory Board is responsible for assessing the performance of the Managing Board.

We believe that the moral ethical behaviour and duty of care towards clients are complementary to our approach to business. LeasePlan recognises that customer focus requires constant attention. We measure the client satisfaction in periodic surveys and make continuous efforts to further improve our client-related processes and service.

**2.7. A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Charter.**

LeasePlan applies this principle.

LeasePlan is organized in such way that employees act in the interest of clients and treat them with care. An example is the product approval process, in which products are specifically assessed to ensure that they are in the client's best interests. Another example is the use of client panels in which we ask clients input on various topics, for example on whether our products are clear and how we can improve our service towards clients.

**2.8. All employees will comply with the formal regulations and self-regulation that apply to them. The Executive Board and Supervisory Board are – with due regard for each other's duties and powers – responsible for this. The Executive Board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The Supervisory Board supervises this.**

LeasePlan applies this principle.

All relevant LeasePlan employees (including members of the Managing Board and Supervisory Board) have taken the Banker's Oath and submitted to the disciplinary regime. The LeasePlan Code of Conduct and Core Values are part of the Lease Beheer personnel manual, which is an integral part of the contract of employment for Lease Beheer N.V. employees.



### **3 Supervisory Board**

#### **3.1 The Supervisory Board will be composed in such a way that it is able to perform its tasks properly.**

LeasePlan applies this principle.

The Supervisory Board of LeasePlan has been composed to warrant proper execution of the function of the Board and its committees. Its size and composition are attuned to the nature and characteristics of the business as well as the required expertise and background of each member. The Supervisory Board has a complementary and mixed composition. The Supervisory Board members' biographies are available at [www.leaseplan.com](http://www.leaseplan.com).

#### **3.2 It will form a risk committee and an audit committee.**

LeasePlan applies this principle.

The Supervisory Board has formed both an Audit Committee and a Risk Committee.

#### **3.3 The members of the Supervisory Board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent.**

LeasePlan applies this principle.

The Supervisory Board members are independent and sufficiently critical in the performance of their duties as Supervisory Board members. They make sufficient time available for these duties. The biographies of the Supervisory Board members and details on the activities and meetings of the Supervisory Board can be found in the LeasePlan Annual Report on [www.leaseplan.com](http://www.leaseplan.com).

#### **3.4 Each member of the Supervisory Board will be aware of the social role of a bank and of the interests of the various stakeholders.**

LeasePlan applies this principle.

The Supervisory Board of LeasePlan has been composed to warrant proper execution of the function of the Board and its committees. Its size and composition are attuned to the nature and characteristics of the business as well as the required expertise and background of each member. The Supervisory Board has a complementary and mixed composition and is jointly responsible for safeguarding the social role of the bank and the interests of the various stakeholders. The biographies of the Supervisory Board members can be found in the LeasePlan Annual Report on [www.leaseplan.com](http://www.leaseplan.com).

#### **3.5 There are specific competence and experience requirements for members of the Supervisory Board's risk and audit committees. Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.**

LeasePlan applies this principle.

The biographies of the Supervisory Board members and the composition of the Supervisory Board committees can be found in the LeasePlan Annual Report on [www.leaseplan.com](http://www.leaseplan.com).



**3.6 The Chairman of the Supervisory Board will organise a programme of lifelong learning for all members of the Supervisory Board with the aim of maintaining their expertise at the required level and improving it where necessary.**

LeasePlan applies this principle.

The Chairman of the Supervisory Board decides on the contents of the Supervisory Board's Lifelong Learning (LLL) programme, with the aim of maintaining and, where necessary, improving the expertise of the Supervisory Board members at the standards that are generally imposed in the Dutch financial sector.

**3.6.1 The learning programme will in any event cover 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 customers, integrity, IT infrastructure, risk management, financial reporting and audit.**

LeasePlan applies this principle.

Topics in the LLL include being aware of the social role of banks and of the interests of various stakeholders. The learning programme covers relevant developments in the company, corporate governance in general and, in particular, the financial sector, the duty of care towards the client, integrity, risk management, financial reporting and audits. In follow-up of the revised Banking Code 2015, specific attention will also be paid to the topics of 'Leading by example' and IT infrastructure.

**3.6.2 Every member of the Supervisory Board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the Supervisory Board.**

LeasePlan applies this principle.

Each member of the Supervisory Board takes part in the LLL and meets the requirements for lifelong learning. The effectiveness of the LLL is part of the annual assessment of its own performance by the Supervisory Board.

**3.7 In addition to the Supervisory Board's annual self-evaluation, the functioning of the Supervisory Board will be evaluated under independent supervision once every three years. The involvement of each member of the Supervisory Board, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Executive Board will be part of this evaluation.**

LeasePlan applies this principle.

The Supervisory Board carries out an annual assessment of its own performance, its composition and effectiveness, as well as the effectiveness of the LLL programme. Once every three years, the self-assessment is performed with the assistance of independent supervision by a professional party selected by the Supervisory Board. In this triennial assessment, focus lies on the evaluation of the performance of individual Supervisory Board members and the culture within the Supervisory Board.

Moreover the relationship between the Supervisory Board and the Managing Board is evaluated. During the same session the Supervisory Board performs the yearly assessment of the Managing Board and its individual members, including its LLL programme.



**3.8 Each member of the Supervisory Board will receive appropriate compensation for the amount of time that he or she spends on Supervisory Board activities. This compensation will not depend on the bank's results.**

LeasePlan applies this principle.

The remuneration of the Chair and members of the Supervisory Board has been benchmarked by external advisors and is in line with market standards. The remuneration does not depend on LeasePlan's results. Compensation is only granted to the Supervisory Board members not associated with the shareholders.

## **4 Managing Board**

**4.1 The Executive Board will be composed in such a way that it is able to perform its tasks properly. Each member of the Executive Board will be aware of the social role of a bank and of the interests of the various stakeholders.**

LeasePlan applies this principle.

The Managing Board is made up of four members: the Chairman and Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Commercial Officer of LeasePlan.

The Managing Board is responsible for the overall management of the Group. In accordance with the Banking Code (2015), the Chief Financial Officer (CFO) is the member of the Managing Board specifically charged with the responsibility for preparing the decision-making with regard to risk management. The CFO has no individual commercial responsibilities.

The Managing Board has sufficient diversity in the background, knowledge and expertise of the individual members to warrant proper execution of the overall management of the Group, including its relevant banking activities. Each member of the Managing Board is aware of the social role of LeasePlan as a bank and of the interests of the various stakeholders. The biographies of the members of the Managing Board are available at [www.leaseplan.com](http://www.leaseplan.com).

**4.2 One member of the Executive Board will have the duty of preparing decision-making by the Executive Board on risk management. This member will be involved in good time in the preparation of decisions that are of material significance for the bank's risk profile, especially where these decisions may result in a departure from the risk appetite approved by the Supervisory Board.**

LeasePlan applies this principle.

The CFO is the member of the Managing Board specifically charged with the responsibility for preparing the decision-making with regard to risk management. The CFO is timely involved in the preparation of decisions that are of material significance to the bank's risk profile.

**4.2.1 This member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas.**

LeasePlan applies this principle.

The CFO doesn't bear individual commercial responsibility within the Managing Board.



**4.3 Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.**

LeasePlan applies this principle.

Stress tests and scenario analysis are carried out periodically to review how possible future events, developments and systemic risk could impact LeasePlan's risk profile. The implication thereof on LeasePlan's liquidity and capital adequacy can subsequently be assessed. In 2016 LeasePlan assessed the following two systemic risk scenarios: the recurrence of the global credit crunch and a temporary disruption of LeasePlan's central counterparty clearing house.

**4.4 The chairman of the Executive Board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover 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 customers, integrity, risk management, financial reporting and audit.**

LeasePlan applies this principle.

The Chairman of the Managing Board decides on the contents of the Managing Board members' LLL programme, with the aim of maintaining their expertise at the required level and improving it where necessary. The various training sessions are taken care of by internal and external experts. Where possible the programme is aligned with the Supervisory Board's LLL programme. Annually the programme covers the topics most relevant to the bank. In previous years the LLL programmes of the Managing Board and Supervisory Board included the following topics: "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 the client, Integrity, Risk management, Financial reporting" and Audits. In the lifelong learning program from 2015 onwards new topics are added: "Tone at the Top/Example Behaviour, Customer's interests and IT infrastructure".

**4.5 Every member of the Executive Board will take part in the programme and meet the requirements for lifelong learning.**

LeasePlan applies this principle.

The Chairman and all members of the Managing Board participate in the LLL programme.

**5 Risk Policy**

**5.1 A bank's risk policy is characterized by a comprehensive approach, is transparent and as both a short- and long-term focus. The risk policy also takes reputational risks and nonfinancial risks into account.**

LeasePlan applies this principle.

LeasePlan's risk strategy is to support the business in achieving its strategic aims while adhering to the defined and approved risk appetite. LeasePlan seeks to accurately assess the relevant inherent risks that it considers part of its overall risk profile prior to the inception of leases, and manages and controls these risks thereafter in order to maintain a good balance between risk and return. For this purpose LeasePlan has various risk policies in place, which find its origin in the risk appetite statement, covering financial and non financial risks, as annually agreed with LeasePlan's Supervisory Board.



LeasePlan reviews and discusses potential corrective measures should any of the risk tolerance levels defined as part of its risk appetite be exceeded. LeasePlan has identified and implemented a set of key risk indicators in order to monitor its performance versus the risk appetite in support of risk versus return considerations. Key risk indicator reporting, covering financial and non financial risks, is provided internally on a monthly basis and, on a quarterly basis, to the Supervisory Board.

**5.2 A bank's Executive Board will be responsible for its risk policy and ensure proper risk management.**

LeasePlan applies this principle.

LeasePlan's Managing Board, supported by designated financial and non financial (risk) committees, is responsible for the definition and execution of the risk strategy, the risk management framework, risk management policies, risk management systems and related management controls. Within the Managing Board, the CFO is responsible for the management and control of risk on a consolidated level to ensure that the Group's risk profile is consistent with risk appetite and risk tolerance levels. Relevant developments are discussed by the Managing Board on a regular basis.

**5.3 The Executive Board will propose the risk appetite to the Supervisory Board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.**

LeasePlan applies this principle.

LeasePlan's risk appetite is submitted by the Managing Board to the Supervisory Board for approval on an annual basis. Any, intermediate, material changes are also submitted to the Supervisory Board for approval.

**5.4 The Supervisory Board will supervise the risk policy pursued by the executive board. As part of its supervision, the Supervisory Board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the Supervisory Board will be advised by its risk committee.**

LeasePlan applies this principle.

On a quarterly basis LeasePlan provides reporting to its Supervisory Board which forms part of the recurring items on the quarterly agenda of the meetings of the Supervisory Board which is subject to discussion in this board. Next to that the financial and commercial results, market developments, developments related to funding and liquidity (including quarterly approval of the funding framework), performance of the Group companies and risk management - with a specific focus on the performance against the Group-approved risk appetite, asset risk management, and credit risk management - are addressed.





## **6 Audit**

### **6.1 A bank's Executive Board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations.**

LeasePlan applies this principle.

The Group Audit Department (GAD), systemically provides, through a risk-based approach, independent and objective assurance to the Managing Board and the Audit Committee of the Supervisory Board, on how effectively LeasePlan assesses and manages its risks. The scope of GAD includes all majority owned entities within LeasePlan, Group services entities, LeasePlan Bank as well as the LPCorp headquarter functions and responsibilities.

#### **6.1.1 To this end, a bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the executive board and also have a direct reporting line to the chairman of the Supervisory Board's audit committee.**

LeasePlan applies this principle.

The GAD has an independent position within LeasePlan. To provide for the independence of the Group Audit Department, the SCVP Audit reports to the Chief Executive Officer (CEO). Through the Internal Audit Meeting (IAM), the SCVP Audit can communicate findings to all members of the Managing Board. The SCVP Audit participates in all Audit Committee meetings and in addition, the SCVP Audit will have at least bi-annually (and if necessary on an ad hoc basis) a meeting with the chairman of the Audit Committee.

#### **6.2 The internal audit department, external auditor and Supervisory Board's audit committee will consult periodically.**

LeasePlan applies this principle.

The external and internal auditors frequently meet to discuss risk assessments, audit planning and each other's audit results. The external auditor bi-yearly participates in the Audit Committee meetings. In one of these meetings the internal and external auditors present their cooperation model together to the Supervisory Board's Audit Committee. The annual plan of Group Audit regarding scope, coverage and timing of the annual audit activities are yearly approved by the Audit Committee.

#### **6.3 The internal audit department will take the initiative in arranging talks with DNB (the Dutch Central Bank) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage. The bank's Executive Board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.**

LeasePlan applies this principle.

In 2013 and 2014 internal audit has taken the initiative in arranging this yearly risk analysis meeting. In 2015 Group Audit held separate consultations with the supervisors, the external auditor and the Managing Board about risk analyses, audit findings, the audit plan and the division of responsibilities between the supervisors, the external auditor and the internal auditor. Regarding 2016, Group Audit will verify the need for these consultations by the supervisor in this respect.



## **7 Remuneration Policy**

- 7.1 The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations. The remuneration policy will have a primarily long-term focus and be in line with the bank’s risk policy. It will incorporate an internal and external balance of interests, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account.**

LeasePlan applies this principle.

LeasePlan pursues a careful, controlled and durable remuneration policy that is clear and transparent, in line with national and international regulations. LeasePlan’s remuneration policy is laid down in the Group Remuneration Framework, which applies to the entire Group. The Group Remuneration Framework is aimed primarily at the long term and in line with LeasePlan’s risk policy. It is characterised by balanced relationships, both internal and external, by which the expectations of the different stakeholders and the social basis of support are taken into account. It also takes into account the relevant international context. The Group Remuneration Framework is reviewed annually. The Remuneration Report in the Annual Report sets out LeasePlan’s remuneration policy.

- 7.2 The total income of a member of a bank’s Executive Board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context.**

LeasePlan applies this principle.

In line with the Dutch Banking Code the remuneration positioning of the Managing Board is set below the median for comparable positions in- and outside the financial industry, taking into account the relevant international context. The remuneration positioning for Identified Staff including the Managing Board is based on a relevant peer group as approved by the (Remuneration / Nomination Committee of the) Supervisory Board.

- 7.3 The variable remuneration of a member of the Executive Board will be set in accordance with national and international regulations.**

LeasePlan applies this principle.

Variable Remuneration for the Managing Board is determined by the (Remuneration / Nomination Committee of the) Supervisory Board in line with LeasePlan’s remuneration policy, the relevant legislation and policy documents.