



JOHN DEERE
FINANCIAL

John Deere Bank S.A. (*Société Anonyme*)
43, avenue John F. Kennedy, B.P. 1685
L-1016 Luxembourg

Telephone: (352) 262990-1
Facsimile: (352) 262990-200
Email: JDBSA@JohnDeere.com

John Deere Bank S.A. and its branches, representative offices and subsidiaries

Remuneration Policy

Approved by	The Board of Directors of John Deere Bank S.A.
Effective from	1 January 2018



Table of content

1.	General dispositions.....	3
1.1	Principles and philosophy	3
1.2	Scope	3
2.	Remuneration structure overview	5
2.1	Fixed component.....	5
2.2	Variable component.....	5
2.2.1	Hedging strategies.....	6
2.3	Bonus withholding / claw back	6
2.4	Performance measurement	6
3.	Governance	8
3.1	The Board of Directors	8
3.2	The Executive Management.....	8
3.3	The Control functions.....	8
3.4	The Human Resources function	8
3.5	Group Remuneration Committee	9
4.	Remuneration of Material Risk Takers in fiscal year 2017 (1 November'16 - 31 ' October'17).....	9



1. General dispositions

The Remuneration Policy of JDB (hereafter “the Policy”) has been elaborated by John Deere Bank S.A. (hereafter “JDB”) under the responsibility of the board of directors to JDB (the “Board of Directors”), in their supervisory function. JDB Human Resources participated in and informed on the drawing up of the Policy with the support of JDB control functions. The Board of Directors of JDB is responsible for adopting and maintaining the Policy, and overseeing its implementation.

The Policy and its appendices might be modified in the future to take into account evolutions in regulation, group policies or any other circumstances requiring an adjustment. It will be reviewed on an annual basis by the Human Resources department of JDB under the responsibility of the Board of Directors and with the support of the Bank’s control functions. Any update made to the Policy will be subject to the approval of the Board of Directors of JDB.

1.1 Principles and philosophy

The Remuneration Policy supports the business strategy, objectives, values and long-term interests. The longstanding compensation philosophy of Deere & Company, together with its branches and subsidiaries (“Deere Group”) to which JDB belongs, includes the principles of (i) paying for performance, (ii) supporting the business, and (iii) paying competitively. This philosophy continues to drive the employees of the Deere Group to produce positive results, strive for higher performance, while maintaining the core values of integrity, quality, innovation, and commitment. Those four values have guided Deere & Company with all its entities since 1837.

The Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the institution.

JDB is committed to providing conditions of employment and management practices that will earn and support superior performance by their employees. JDB respects and appropriately rewards the contribution of its employees. Within the bounds of the needs and goals of JDB, all employees should be given every reasonable opportunity to grow and advance to the full extent of their abilities. Neither race, nor gender, nor sexual orientation, nor geographic background, nor culture, nor age, nor disability, nor economic status nor religious beliefs should unlawfully enter into appraisals of individuals for employment, salary review or promotion.

Fostering high-performance team culture, giving satisfaction at work, contributing to employee development (skills and competences development, technical and behavioral training), offering challenging work (goals, growth opportunities), balancing pay mix and focusing on long term value creation is part of the philosophy of JDB.

1.2 Scope

The Remuneration Policy outlines the philosophy and governing principles for remuneration at JDB and its branches, representative offices and subsidiaries.

The Policy is aligned with JDB policies and standards. It integrates the provisions of the European regulations and recommendations related to remuneration and corporate governance. The Policy is based on JDB’s values and aims to support the long-term business and risk strategy while balancing the interests of the different stakeholders (i.e. clients, employees, and shareholders).

The Policy applies to all employees of JDB, including expatriates and is based upon the following:



- Article 5(1a) and Chapter 4a (*Governance arrangements and remuneration policies*) of Part II of the amended Luxembourg law of 5 April 1993 on the financial sector (the “Banking Act”);
- Articles 74, 75 and 92 to 96 of Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (“CRD IV”);
- Article 450 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (“CRR”);
- Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014 supplementing Directive (EU) No 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration Text with EEA relevance;
- Circular CSSF 11/505 on details relating to the application of the principle of proportionality when establishing and applying remuneration policies that are consistent with sound and effective risk management as laid down in Circulars CSSF 10/496 and CSSF 10/497 (“CRD III Circulars”);
- Circular CSSF 12/552 on central administration, internal governance and risk management (as amended by circulars CSSF 13/563, 14/597, 16/642, 16/647 and 17/655);
- Circular 14/585 transposing the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID) - Addition of Annex V to Circular CSSF 07/307;
- Circular CSSF 14/594 transposing the EBA guidelines on the applicable national discount rate for variable remuneration;
- Circular CSSF 15/620 which clarifies the scope of the 23 July 2015 modification of the Banking Act – LSF- new chapter 4 bis, which implements the Directive 2013/36/EU;
- Circular 15/622 on higher ratio notification procedure applicable to the remuneration policy according to Article 94(1)(g)(ii) of CRD IV; and
- CSSF Circular 17/658 relating to the adoption of the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22) and repealing Circular CSSF 10/496.



2. Remuneration structure overview

The JDB Remuneration Policy is aimed at the alignment of remuneration with prudent risk taking. The long-term strategy includes the overall business strategy and quantified risk tolerance level with a multi-year horizon, as well as other values of JDB such as compliance culture, ethics, behavior towards customers, measures to mitigate conflicts of interests etc.

The design of the remuneration system is consistent with the objectives set out in the strategy; changes that could appear in the strategy of the Bank are taken into account. This includes, in particular:

- a proper balance of variable to fixed remuneration: The fixed component represents a sufficiently high proportion of the total remuneration, to allow for a fully flexible policy on the variable remuneration component, including the possibility to pay no variable remuneration;
- the measurement of performance;
- a structure of the variable remuneration to ensure it makes the best possible attempt to align its Remuneration Policy with its long-term interests.

The total variable remuneration does not limit the ability of JDB to strengthen its capital base.

2.1 Fixed component

The fixed remuneration reflects professional experience as well as organizational responsibility, as set out in the employee's job description.

In case of an increase of the fixed component (base salary), this is driven by four subjects:

- Budget;
- Market conditions;
- Requirements of the collective labor agreements;
- Individual performance of the employee.

The performance rating and the compensation ratio within the applicable salary range are the drivers for a potential increase of the base salary.

2.2 Variable component

JDB employees are eligible for an annual Deere Group performance based bonus, which is determined by target realization and which normally cumulatively depends on:

- Deere Group performance;
- Compensation grade of the employee;
- Market practices;
- Legal and tax issues within countries.

JDB differs from the market practices by not linking variable remuneration to individual performance. This can never induce business risk taking by employees, as no quantitative and qualitative criteria related to individual performance determine the variable portion.

The only exception is in case of poor performance and/or disciplinary issues. An employee's manager has the right to recommend exclusion of an employee from participating in the variable remuneration



or decrease the amount of the final award with approval from the Managing Director and the Human Resources Manager (cf. 2.4.).

To limit excessive risk taking, the variable remuneration respects the principle of risk-alignment as defined by CSSF Circulars and CRD IV, i.e. the variable Remuneration Policy of JDB is:

- Group performance-based;
- Risk adjusted: Through its bonus plans, JDB is aligning the payment of remuneration to the business cycle of the institution and the business risks.

2.2.1 Hedging strategies

JDB ensures that employees do not use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

JDB guarantees that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of CRD III / IV.

2.3 Bonus withholding / claw back

Bonus withholding - In case it is proven that an employee took excessive risks or breached JDB's compliance rules or applicable legal or regulatory rules, no bonus will be paid to the individual. In addition to these cases, only under-performance can lead to bonus withholding. On the contrary, over-performance does not lead to a higher bonus.

Malus and Claw Back - Final awards shall be subject to the terms of JDB's administrative guidelines. In case of poor performance, fraud, misconduct, serious error, excessive risk taking, breach of compliance rules and/or applicable legal or regulatory rules or discipline problems, JDB has the right to reduce or recover Final Awards paid under the Plan in whole or in part. Decisions to apply a malus to, or claw back Final Awards, are taken by the Board of Directors of JDB taking into account the specific circumstances of the case and their gravity.

2.4 Performance measurement

In order to achieve highly aligned teamwork within JDB, all employees set their quantitative and qualitative goals and enter them into a system called Global Performance Management System. This (IT supported) system is a database, gathering the individual goals that a manager and the direct report agree on at the beginning of the performance year. During JDB's fiscal year (starts 1 November and ends the 31 of October the following year), at least two formal meetings take place to discuss and review the individual performance. During the two meetings, two components will be assessed on business and people goals. The system is provided to the managers and their employees in a tabbed format with a different tab for each of the following sections:

- Business goals
- People goals
- Ratings

a) Business goals

Business goals/responsibilities help employees to know and understand what is expected of them and how they can align to the strategic direction of JDB to deliver positive business results. Goals should



JOHN DEERE FINANCIAL

have stretch character, meaning they should be challenging, yet attainable. Business goals can have quantitative as well as qualitative elements, and should be specific, measurable, aligned to the corporate strategy, realistic and time-based (SMART criteria). All employees are accountable for and evaluated on their business goals performance. Control functions also have goals, which are aligned with the scope of their duties (i.e. an Internal Auditor would have goals for performing timely, accurate and independent audits).

b) People goals

Managers and individual contributors are mutually responsible for successful relationships that drive business results. Employees are expected to create an environment of inclusion, developing others, teamwork and collaboration that will enhance how we work together. Employees can select a dimension and outcome to build their people goals. The dimensions of people goals are: inclusion, developing others, teamwork and collaboration and other. All employees will be accountable for and evaluated on their qualitative people performance.

If an employee manages people, the following will be assessed as well:

- Establishing clear performance requirements
- Truthfully evaluating performance
- Providing ongoing coaching, feedback and recognition
- Actively supporting personal and career development efforts
- Assessing and developing employee potential
- Integrating new talent
- Communicating effectively.

c) Ratings

At the end of the fiscal year, the business goals and the people goals will be evaluated separately. Each rating will be considered equally when evaluating performance. The performance rating and the compensation ratio are the drivers for a potential increase of the monthly salary.

The higher an individual is rated, the more likely it is that he/she will receive an increase of the monthly salary. The individual performance rating is not linked to the level of variable payment. The only exception of this rule will occur in case of an unsatisfactory performance rating (which normally leads to termination), where variable remuneration might not be granted.



3. Governance

3.1 The Board of Directors

The governance principles set out by JDB are prepared in compliance with current regulations. Their objective is to avoid any conflict of interest relating to the supervision and management of remuneration. JDB has a policy governing the management of conflicts of interest.

JDB Board of Directors handles the following responsibilities:

- Defining the general principles of the Remuneration Policy;
- Approving the Bank's Remuneration Policy as well as any future change made to this Policy;
- Ensuring, on a regular basis, that JDB has the appropriate remuneration procedures in place;
- Approve the total pool of variable remuneration to be distributed to all employees of JDB in Region 2 as covered by this policy;
- Approve variable compensation under the various bonus schemes.

3.2 The Executive Management

The Executive Committee members are JDB's authorized management. In this capacity, the Executive Committee is in charge of making sure that the Remuneration Policy is implemented. The Executive Committee informs the relevant employees about the principles set out in the current Policy, about which criteria are used to determine their remuneration and about the terms governing their appraisal.

3.3 The Control functions

In accordance with the applicable legal and regulatory provisions, JDB's control functions are involved in formulating and amending the Remuneration Policy.

The Board of Directors ensures that a yearly review of the Remuneration Policy is conducted by the Manager Human Resources and, if deemed necessary, in cooperation with qualified and independent external counsel. The result of this review will be reported to Internal Audit and the Board of Directors. A copy of the report can be consulted by the CSSF upon request.

The implementation of the Policy is reviewed on an annual basis. This review could be shared with the Internal Auditor, Internal Audit department of the mother company or with an external consultant. It is subject to central and independent internal review for compliance with adopted policies and procedures. The results of the audit will be reported to the Board of Directors of JDB and to the Audit Committee of JDB.

3.4 The Human Resources function

The Manager Human Resources is in charge of keeping the Remuneration Policy up-to-date, by including any changes which would be introduced by the Board of Directors and by updating the appendices to the Remuneration Policy if necessary.



3.5 Group Remuneration Committee

Remuneration for JDB employees is determined by a Group Remuneration Committee. Due to the application of the proportionality principle, a local Remuneration Committee is not required.

4. Remuneration of Material Risk Takers in fiscal year 2017 (1 November'16 - 31 ' October'17)

Total annual remuneration: 3,726

Fixed remuneration: 2,809

Variable remuneration: 0,917

(Amounts in Thousand EUR)