

Commission Delegated Regulation (EU) 2015/35 of 10 October 2014
supplementing Directive 2009/138/EC of the European Parliament
and of the Council on the taking-up and pursuit of the business of
Insurance and Reinsurance (Solvency II) (Text with EEA relevance)

TITLE I

**VALUATION AND RISK-BASED CAPITAL REQUIREMENTS
(PILLAR I), ENHANCED GOVERNANCE (PILLAR II)
AND INCREASED TRANSPARENCY (PILLAR III)**

CHAPTER IX

SYSTEM OF GOVERNANCE

SECTION 5

Remuneration policy

Article 275

- 1 When establishing and applying the remuneration policy referred to in Article 258(1) (l), insurance and reinsurance undertakings shall comply with all of the following principles:
- a the remuneration policy and remuneration practices shall be established, implemented and maintained in line with the undertaking's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the undertaking as a whole and shall incorporate measures aimed at avoiding conflicts of interest;
 - b the remuneration policy promotes sound and effective risk management and shall not encourage risk-taking that exceeds the risk tolerance limits of the undertaking;
 - c the remuneration policy applies to the undertaking as a whole, and contains specific arrangements that take into account the tasks and performance of the administrative, management or supervisory body, persons who effectively run the undertaking or have other key functions and other categories of staff whose professional activities have a material impact on the undertaking's risk profile;
 - d the administrative, management or supervisory body of the undertaking which establishes the general principles of the remuneration policy for those categories of staff whose professional activities have a material impact on the undertaking's risk profile is responsible for the oversight of its implementation;
 - e there shall be clear, transparent and effective governance with regard to remuneration, including the oversight of the remuneration policy;
 - f an independent remuneration committee shall be created, if appropriate in relation to the significance of the insurance or reinsurance undertakings in terms of size and internal organisation, in order to periodically support the administrative, management or supervisory body in overseeing the design of the remuneration policy and remuneration practices, their implementation and operation;
 - g the remuneration policy shall be disclosed to each member of the undertaking's staff.

*Status: This is the original version as it was originally adopted in the EU. This
legislation may since have been updated - see the latest available (revised) version*

2 The specific arrangements referred to in point (c) of paragraph 1c shall comply with all of the following principles:

- a where remuneration schemes include both fixed and variable components, such components shall be balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow the undertaking to operate a fully flexible bonus policy, including the possibility of paying no variable component;
- b where variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall result of the undertaking or the group to which the undertakings belongs;
- c the payment of a substantial portion of the variable remuneration component, irrespective of the form in which it is to be paid, shall contain a flexible, deferred component that takes account of the nature and time horizon of the undertaking's business: that deferral period shall not be less than three years and the period shall be correctly aligned with the nature of the business, its risks, and the activities of the employees in question;
- d financial and also non-financial criteria shall be taken into account when assessing an individual's performance;
- e the measurement of performance, as a basis for variable remuneration, shall include a downwards adjustment for exposure to current and future risks, taking into account the undertaking's risk profile and the cost of capital;
- f termination payments shall be related to performance achieved over the whole period of activity and be designed in a way that does not reward failure;
- g persons subject to the remuneration policy shall commit to not using any personal hedging strategies or remuneration and liability-related insurance which would undermine the risk alignment effects embedded in their remuneration arrangement.
- h The variable part of remuneration of the staff engaged in the functions referred to in Articles 269 to 272 shall be independent from the performance of the operational units and areas that are submitted to their control;

3 The remuneration policy shall be design in such a way as to take into account the internal organization of the insurance or reinsurance undertaking, and the nature, scale and complexity of the risks inherent in its business.