

## HR GROUP POLICY: HRP11 REMUNERATION

### POLICY IDENTIFICATION

<b>Title:</b>	Remuneration
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<b>Applicability:</b>	Group
<b>Owner:</b>	HR Division
<b>Reviewer(s):</b>	Executive Director People and Change Control Functions (Risk Management Division & Compliance Division)
<b>Approved by:</b>	Board of Directors
<b>References:</b>	<ul style="list-style-type: none"> <li>- CBC Directive on Internal Governance of Credit Institutions 2021</li> <li>- 6<sup>th</sup> edition (April 2024) Cyprus Stock Exchange Corporate Governance Code</li> <li>- EBA Guidelines on Sound Remuneration Policies under Directive 2013/36/EU</li> <li>- CBC Directive on Assessment of the Suitability of members of the management body and Managers of Authorised Credit Institutions</li> <li>- Markets in Financial Instruments Directive (MiFID II)</li> <li>- The 2018 UK Corporate Governance Code</li> <li>- EBA Guidelines- Remuneration policies and practices related to the sale and provision of retail banking products &amp; services.</li> <li>- Proposal for a Directive to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms</li> <li>- ECB Guide on climate related and environmental risks</li> <li>- Commission Delegated Regulation (EU) 2021/923</li> <li>- ECB decision 2022/368 (amending previous decision 2015/2218 on the procedure to exclude staff members from the presumption of having material impact)</li> <li>- Guidelines on the Benchmarking Exercises on Remuneration Practices, the Gender Pay Gap and Approved higher Ratios under Directive 2013/36/EU</li> <li>- Guidelines on the Remuneration Benchmarking Exercise (EBA/GL/ 2014/08)</li> <li>- Guidelines on the Guidelines on benchmarking of diversity practices, including diversity policies and gender pay gap, under Directive 2013/36/EU and Directive (EU) 2019/2034</li> <li>- ECB - Draft Guide on Governance and Risk Culture July 2024</li> </ul>
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<b>Effective Date:</b>	05/04/2012

## Revision Table

Revision No.	Date	Comments (Main changes)
0.0	05/04/2012	First Issue
1.0	25/08/2015	1 <sup>st</sup> Revision
2.0	28/06/2016	Added variable remuneration principles for CEO & MRTs and HRRC Admin Guidelines
3.0	01/06/2017	Enhanced variable remuneration sections
4.0	30/11/2018	Changes in Group structure (sale of BOC UK)
5.0	16/12/2019	Changes in Cyprus organisational structure (change of Senior Management composition)
6.0	18/12/2020	Changes in Cyprus org structure (DCEO departure) / Removal of HRRC Admin Guidelines
7.0	30/11/2021	Collective agreement changes / Revised process re: remuneration of Control Functions
8.0	28/02/2023	Changes emanating from revised Directive
9.0	21/04/2023	Revised section 2.2.1 (re: STIP) and Tables 5.4 & 5.6 (re: MRTs)
10.0	28/03/2024	Revised section 2.2.1 (re: STIP) / Added Tables 5.3 & 5.8 and amended Table 5.7
11.0	26/03/2025	Enhanced Variable remuneration section / Added Severance section / Amended ratio of variable to fixed remuneration / Added Responsibilities Section

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## 1 PURPOSE OF POLICY

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The provisions of the CBC Directive on Internal Governance of Credit Institutions 2021 in relation to remuneration are applicable at a group level, parent company and subsidiaries. This document represents the official policy of the Bank of Cyprus Group regarding the remuneration of all levels of the Group and all employees. The Policy does not apply to Non-Executive Directors remuneration.

The Policy is in line with the business strategy, objectives, values and long-term interests of the Group, is consistent with and promotes sound and effective risk management and long-term sustainable success and does not encourage excessive risk-taking.

The Bank of Cyprus Group Remuneration Policy is aligned with the European Banking Authority (EBA) guidelines on Sound Remuneration Policies and Practices (as amended) and captures provisions from the Cyprus Stock Exchange Corporate Governance Code, the UK Corporate Governance Code, MiFID II and relevant Directives and Guidance of the EU, the ECB and the Central Bank of Cyprus.

This Policy aims to ensure the application of a fair, transparent and gender-neutral pay management process that applies equally to all staff, aligns their remuneration with job value, individual performance and potential, and takes into account market conditions. At the same time, the principles set out in this Policy aim to encourage responsible business conduct, fair treatment of customers and to avoid conflicts of interest.

A list of all definitions used in this policy can be found in the Glossary Section (Appendix B).

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## 2 ABBREVIATIONS

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Abbreviation	Definition
BoD	Board of Directors
CBC	Central Bank of Cyprus
CSE	Cyprus Stock Exchange
EBA	European Banking Authority
ESG	Environmental, Social, Governance
ED-P&C	Executive Director People & Change
ExCo	Executive Committee
HRRC	Human Resources & Remuneration Committee
MiFID II	Markets in Financial Instruments Directive
NCGC	Nominations & Corporate Governance Committee

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## 3 GROUP REMUNERATION SCHEMES

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Remuneration schemes (Fixed Remuneration) in Bank of Cyprus (excl. Jinius) are subject to stakeholder consultation and are largely determined by the collective agreement with the Trade Union. They are also in line with the prevailing regulations and guidance.

Remuneration typically consists of fixed plus variable pay.

### 3.1 Fixed Remuneration:

Fixed Remuneration refers to the employee's main form of remuneration. It comprises of salary and any applicable (including non-discretionary) position allowances and is determined by employment contracts, collective agreements (where applicable) and applicable employment legislation.

- Fixed Remuneration in Bank of Cyprus is based on the following parameters:
  - **Job Value:** The focus is on the job (requirements and contribution to the Bank's business results), as opposed to the job holder's seniority or education.  
Taking into account the above, the BOC grading structure is linked with the value of each job. This structure has been agreed with the Trade Union.
  - **Individual contribution and potential:** The focus is on the employee's performance over time, his/her level of experience and his/her potential to undertake upgraded duties.
  - **Applicable legislation, regulations and collective agreement.**
- **Changes in fixed remuneration:**  
Currently, changes in fixed remuneration can be effected in the following cases. It is noted that points (i) to (iii) fall under the collective agreement with the trade union.
  - i. **Annual Increments (Pay movement within Pay Scale):**
    - Granted to all employees based on tenure (annually, in January of each year)
    - The amount is fixed and is linked to the employee's salary scale
    - Governed by the applicable provisions of the collective agreement
  - ii. **Merit Pay Increases:**
    - Granted on the basis of well-defined criteria, which are defined by the Merit Pay Committee set up jointly between the Bank and the Trade Union for this purpose (e.g. years of service, pay competitiveness, job value, performance/potential). This constitutes a fixed salary increase which is permanent and is part of the annual increment but distributed in a different manner.
    - Enables the Bank to make salary corrections in cases of identified internal inequities and/or differentiate performers.
    - Governed by the applicable provisions of the collective agreement
  - iii. **Promotions (Pay movement across Pay Scales):**
    - Granted to selected employees on the basis of well-defined criteria (assumption of higher duties & responsibilities, job value, performance, potential, years of service / years at position).
    - Under normal circumstances, promotions to a higher salary scale are accompanied by the granting of an additional annual increment (corresponding to the new salary scale).
    - Governed by the applicable provisions of the collective agreement
  - iv. **Other Increases (Ad hoc):**  
In exceptional cases (e.g. as a defensive measure), the Bank has the discretion to grant a salary increase to specific members of staff, subject to following the approval process indicated in table 7.7.

### 3.2 Variable Remuneration:

Variable remuneration refers to the additional discretionary remuneration paid to an individual as an incentive for increased productivity and competitiveness. It is based on a combination of the performance of the employee, the overall performance of the business unit the individual belongs to, and the Group's consolidated financial results. Variable remuneration might include financial instruments such as cash bonus, performance shares or share option plans, at the discretion of the Bank.

Variable remuneration reflects a sustainable and risk adjusted performance. For the Long-Term Incentive Plan (LTIP), the assessment of the performance is set in a multi-year framework in order to ensure that the process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes into account the underlying business cycle of the Group and its business risks.

Variable remuneration aims to:

- (a) Elicit the right behaviors that will produce the desired outcome, both in the short and long term.
- (b) Increase employee commitment towards the achievement of the Group's long-term objectives within a given set of values.
- (c) Enhance employee's performance over a long-term basis, within the Bank's risk-appetite framework.
- (d) Align employee's long-term interests with those of the Bank's shareholders.
- (e) Ensure that the value created, is shared fairly between employees and shareholders, and
- (f) Retain high performers and attract talents.

The whole amount of variable remuneration (100%) is subject to malus and clawback in accordance with criteria which include the following:

- Evidence of misbehavior, or serious error by the staff member (e.g. breach of Employee Code of Conduct, Code of Ethics, Employment Contract and other internal rules, especially concerning risks and compliance)
- When the Bank and/or the business unit in which the staff member works subsequently suffers a significant downturn in its financial performance
- When the employee leaves the Group
- When there are significant changes in the Bank's economic, or capital base
- Manipulation of financial performance, or window dressing practices
- Hedging against a downward adjustment in compensation

In case the Group benefits from government intervention, then all restrictions that derive from the relevant legislation will apply. In such a case, no variable remuneration is paid to members of the management body unless justified.

Variable pay plans are governed by a set of Plan Rules and/or a governance framework regarding variable pay awards to be made under each plan. These describe the main design characteristics of each Plan which include (among others) the:

- Performance period / Accrual period
- Deferral cycle
- Retention period for instruments awarded
- Treatment of dividends for vested shares
- Treatment of leavers

More information about the characteristics and key design features of the variable pay plans can be obtained via the respective Plan Rules and/or Annual Report disclosures.

### **3.2.1. Short-Term and Long-Term Incentive Plans (e.g. Performance Shares, or Share Option Plans)**

The Company's shareholders have provided their approval for the Company to implement a long-term incentive plan (the "2022 LTIP"), involving the granting of share awards by the Company to such employees of the Company and/or its subsidiaries. The rules and terms of the 2022 LTIP are to be determined by the Directors, subject to the requirements of applicable law, provided that the maximum number of shares that may be issued pursuant to the 2022 LTIP until the tenth anniversary of this Resolution shall not exceed 5% of the issued ordinary share capital of the Company, as at the date of this Resolution (being 22,309,996 ordinary shares of €0.10 each in the capital of the Company as at the last practicable date prior to the issuance of the notice convening this meeting), as adjusted for any issuance or cancellation of shares subsequent to the date of this Resolution (excluding any issuances of shares pursuant to the 2022 LTIP).

The Company has also introduced a short-term incentive plan (STIP) involving the granting of cash and share awards to eligible employees of the Company and/or its subsidiaries, including executive directors of the Company, subject to the terms and conditions of the Plan and any regulatory restrictions.

The framework to determine STIP awards, including responsibilities and decision-making powers, is in line with the governance framework for Variable Remuneration for each Employee Group as described in Section 7 (Approval & Implementation Procedures).

The introduction of LTIP and STIP is subject to obtaining Human Resources and Remuneration Committee and Board approval and any such Plans would be in line with Group objectives and be governed by the applicable regulatory and legislative framework.

The provisions relating to the framework for granting LTIP and STIP awards in each performance year are described below (amongst others):

- Eligibility is determined as per the terms of each plan
- Participation criteria are set with reference to the Bank's objectives for each plan and communicated to eligible employees
- Decision to grant and the level of awards are determined at the end of each respective performance period, upon assessment of the level of achievement as compared to the pre-established performance goals set at the beginning of the performance period
- The HRRC retains full discretion in the determination of the awards and the awards are subject to malus and clawback conditions in line with the regulatory framework
- Deferral and payment in instrument conditions may apply to the awards as per the regulatory framework
- The level of awards may also be restricted by the maximum pay ratios as per the regulatory framework.

### **3.2.2. Severance Payments**

Severance payments are in line with the applicable regulatory framework.

The framework to determine severance payments, including responsibilities and decision-making powers, is in line with the governance framework for Variable Remuneration for each Employee Group as described in Section 7 (Approval & Implementation Procedures).

In determining whether to award a severance payment and the respective amounts, the following criteria are considered (amongst others):

- Reason for the severance
- Performance over time and any periods of failure or misconduct
- Years of service
- Remaining term to normal retirement

Severance payments are considered variable pay and hence the conditions and implementation procedures as per the Bank's relevant framework apply. It is noted that, as per the regulatory framework, in certain cases the amounts awarded as severance payments may not fall under the deferral and payment in instruments conditions and may not be taken into account for the calculation of the applicable pay ratios of fixed to variable pay.

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## **4 GOVERNANCE**

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The implementation of the Remuneration Policy is subject to an annual central and independent internal review from the Group Internal Audit Division for compliance with policies and procedures for remuneration adopted by the Board of Directors and relevant provisions of CBC, CSE, MiFID II and the UK Corporate Governance Code. Internal Audit includes the implementation of the Remuneration Policy as an area of the Risk & Audit Universe and as such it is subject to a risk assessment, as part of its annual audit plan. Audits relevant to Remuneration Policy are included in the IA's Annual Audit Plan, based on the risk assessment performed and relevant regulatory requirements.

No Director should be involved in deciding his/her remuneration (CSE B.1 Principle) and the HR & Remuneration Committee (HRRC) shall seek to identify and manage conflicts of interest when receiving views from executive directors and senior management.

The HRRC is responsible for annually defining, reviewing and recommending the Remuneration Policy for approval to the Board of Directors. The Board of Directors is also responsible for oversight of compliance with the Remuneration Policy.

Where judgment is applied with regards to the awarding of variable pay, clear and complete documentation must be kept with regards to the final decision and how it was taken (parameters & risk considerations, involvement of relevant control functions, approvals obtained).

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## **5 GENERAL PRINCIPLES**

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The following principles are applied at Group level:

- The remuneration policy promotes - and is consistent with - sound and effective risk management, is in line with the Group's ESG strategy and does not encourage excessive risk taking that exceeds the level of risk tolerated by the Group.

Performance Criteria (financial and/or not financial), set to measure the performance of Senior Management, are expected to contain risk-adjusted KPIs that relate to the implementation of the Group's ESG strategy, reflecting the Group's emphasis on achieving its climate related objectives, in accordance with the role and responsibility of each Senior Manager in relation to the ESG Strategy. Performance criteria will include incentives set to manage ESG risks related objectives and or limits to ensure that green washing practices are avoided. These are expected to be cascaded down to staff, through the performance appraisal system, in line with the staff's respective role and responsibilities, so as to continuously enhance the Group's ESG culture, elicit the right behaviors and align individual results with ESG Strategy.

Group-wide performance relating to ESG targets will, under normal circumstances, be included in the performance scorecard of any applicable Long-Term and/or Short-Term Incentive Plans, at the time of the design and approval of each Plan.

- The Total Cost of variable remuneration (Bonus Pool) should be set by HRRC and submitted to the Board of Directors for approval. When determining the bonus pools, or individual awards, the Bank should consider all current risks, expected losses, estimated unexpected losses and stressed conditions associated with the institution's activities.
- Any deviations from the Remuneration Policy with regards to the maximum level of variable remuneration that can be granted are examined by HRRC and are submitted to the Board of Directors for recommendation by shareholders giving the reasons for and the scope of the approval sought. Shareholders shall decide by a majority of 75% of voting rights present. The Central Bank of Cyprus (CBC) shall be informed of the recommendation ahead of the General Meeting and the outcome thereafter. Staff who is directly affected by the higher maximum levels of variable remuneration shall not, where applicable, be allowed to exercise, directly, or indirectly, any voting rights they may have as shareholders, or owners, or members of the institution.
- The AGM resolution that was approved by the shareholders in May 2024, gave the Bank the flexibility to increase the ratio of variable to fixed remuneration to up to a maximum of 100% for Material Risk Takers.
- Remuneration of staff engaged in control functions (Internal Audit, Risk Management, Compliance and Information Security) must be weighed in favour of fixed remuneration so as to reflect the nature of their responsibilities.
- The level of variable remuneration is based on the evaluation of performance criteria to be set by the relevant approving body. Depending on circumstances, the performance of the individual, of his/her operational unit and of the Group, as well as non-financial and ESG criteria, can be taken into consideration.



- No compensation should be provided for any reduction, or restructuring of variable remuneration, e.g. made in the context of recovery and resolution measures, or other exceptional government intervention, in later years, or by other payments, vehicles or methods.
- Staff engaged in control functions (Internal Audit, Risk Management, Compliance and Information Security) are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.
- Guaranteed variable remuneration is not granted.
- Severance payments are in line with the applicable regulatory framework.
- Discretionary pension benefits are not granted.
- The use of personal hedging, or insurance to transfer the risk of a downward adjustment in remuneration to a third party is prohibited.
- Remuneration packages relating to compensation or buyout from contracts in previous employment must align with the long-term interests of the institution including retention, deferral, performance and clawback arrangements.
- Any conflict of interest or incentive that may lead to relevant persons favoring their own or the firm's interests to the potential detriment of a client should be prohibited (e.g. setting targets that may incentivize staff members to recommend a particular option or financial instrument to a client when something else might suit them better in order to earn additional remuneration).
- In respect of retail clients, any remuneration, sales targets or other arrangements which could provide an incentive to staff to recommend a particular financial instrument when another product would better suit that client's needs, is strictly prohibited.
- In the event that the Group's regulatory capital base needs to be strengthened, priority must be given to strengthening the capital base and a conservative remuneration policy must be applied, in particular relating to total variable remuneration.
- Comparisons with prevailing market remuneration conditions should be made with caution with a view to avoid an upward spiral of remuneration without a corresponding improvement in performance.
- Reasonable steps should be taken to ensure that Material Risk Takers (MRTs - also known as Identified Staff) understand the implications of their status including the potential for variable remuneration to be considerably contracted where subdued, or negative financial performance of the Group occurs. The whole amount of the total variable remuneration (100%) shall be subject to malus, or clawback arrangements.
- Remuneration shall be paid in a way that is non-discriminatory against any category of the Bank's employees, while retaining the right to equal remuneration for equal work. The gender pay gap is monitored and any significant deviation is addressed so as to avoid any form of discrimination and guarantee equal opportunities to staff of all genders. The Bank complies with the disclosure requirements of the Guidelines on the Benchmarking Exercises on Remuneration Practices, the Gender Pay Gap and Approved higher Ratios under Directive 2013/36/EU and relevant reporting requirements under these guidelines.

Some special principles are applicable to MRTs only and these are outlined in Appendix A.

## 6 ROLES & RESPONSIBILITIES – NEW SECTION

Role	Responsibilities
Board of Directors	<ul style="list-style-type: none"> <li>- Approves the Remuneration Policy.</li> <li>- Approves the implementation of variable pay plans (LTIP/STIP).</li> <li>- Approves the granting of fixed<sup>1</sup> remuneration and variable<sup>2</sup> remuneration to Heads &amp; Senior Officers of Control Functions and Material Risk Takers.</li> <li>- Approves the list of Material Risk Takers.</li> <li>- Approves the granting of promotions to Other Senior Management and Heads &amp; Senior Officers of Control functions.</li> <li>- Approves the Senior Management Grading structure.</li> </ul>
Joint NCGC/HRRC	<ul style="list-style-type: none"> <li>- Recommends to the Board for approval the granting of fixed remuneration<sup>1</sup> and variable<sup>2</sup> remuneration to Executive Members of the Board.</li> <li>- Recommends to the Board for approval the list of Material Risk Takers.</li> <li>- Recommends to the Board changes in the grading structure of Senior Management.</li> </ul>
HRRC	<ul style="list-style-type: none"> <li>- Reviews the Remuneration Policy and recommends approval to the BoD.</li> <li>- Recommends to the Board for approval the granting of fixed remuneration<sup>1</sup> and variable<sup>2</sup> remuneration to Senior Management (excl. Executive Members of BoD), Heads and Senior Officers of Control Functions (as recommended by the respective Committee) and other MRTs.</li> <li>- Is informed of Merit Pay &amp; other increases granted to MRTs during the year.</li> <li>- Recommends to the Board for approval the granting of promotions to Other Senior Management and Heads &amp; Senior Officers of Control functions.</li> </ul>
Risk Committee	<ul style="list-style-type: none"> <li>- Recommends to the Board for approval (via HRRC) the granting of fixed remuneration<sup>1</sup> and variable remuneration<sup>2</sup> to Heads &amp; Senior Officers of Risk Division and Information Security.</li> <li>- Reviews the list of MRTs and recommends to the Board for approval (via Joint NCGC/HRRC).</li> <li>- Is informed of the granting of merit pay increases (collective agreement) to Heads &amp; Senior Officers of Risk Division and Information Security.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>- Recommends to the Board for approval (via HRRC) the granting of fixed remuneration<sup>1</sup> and variable<sup>2</sup> remuneration to Heads &amp; Senior Officers of Risk Division and Internal Audit and Compliance Divisions.</li> <li>- Is informed of the granting of merit pay increases (collective agreement) to Heads &amp; Senior Officers of Audit and Compliance Divisions.</li> </ul>
ExCo	<ul style="list-style-type: none"> <li>- Reviews the Remuneration Policy and recommends to BoD for approval.</li> <li>- Approves staff job values (excluding Senior Management) in cases of new jobs or substantial changes in job content or operating model.</li> </ul>
Internal Audit Division	<ul style="list-style-type: none"> <li>- Provides independent and objective assurance to the BoD, through the AC, and to management, by assessing the effectiveness of governance, risk management, and control processes related to this policy.</li> <li>- Informs the AC of its findings and relevant recommendations.</li> </ul>
Risk Management Division	<ul style="list-style-type: none"> <li>- Assists with, and informs on, the definition of suitable risk-adjusted performance measures for variable remuneration.</li> <li>- Assesses how variable remuneration affects the risk profile of the institution by conducting an assessment of the Financial Plan that includes variable remuneration and by reviewing the bonus pool setting process.</li> <li>- Is involved in the identification of MRTs process/assessment.</li> </ul>
Compliance Division	<ul style="list-style-type: none"> <li>- Carries out monitoring reviews to assess the effective implementation of the Policy and recommends corrective actions where required (i.e. monitoring reviews to assess the effective implementation of MRTs procedure).</li> <li>- Updates the policy with the applicable regulatory framework, as required.</li> </ul>

### Notes:

1. Refers to ad hoc increases, not part of the collective agreement
2. Refers to the granting of Short Term and Long-Term Incentive Plans (STIP, LTIP).

## 7 APPROVAL & IMPLEMENTATION PROCEDURES

The tables below aim to set down the high-level processes to be followed in the following cases:

1. Review of BOC Grading Structure
2. Review of BOC Pay Structure
3. Identification of MRTs
4. Granting of Horizontal Annual Increments
5. Granting of Merit Pay
6. Granting of Promotions
7. Other types of Fixed Remuneration Changes
8. Granting of variable remuneration (e.g. STIP)

Note that the operation and oversight of variable pay plans falls under the responsibility of the HRRC.

**Table 7.1: Review of Bank of Cyprus Grading Structure**

Action	Responsible
<b>Propose</b>	HR collects the jobs that require review* and proceeds with evaluation, following consultation with the affected DDs (in cooperation with an external consultant where needed)
<b>Review</b>	CEO
<b>Approve</b>	ED-P&C: for job values up to 04 / ExCo: for job values 05-08 BoD (via Joint NCGC/HRRC): for Senior Management

*\*Jobs are subject to a review in cases of: (i) new jobs (ii) substantial changes in job content and (iii) substantial changes in operating model of the Group / Unit.*

**Table 7.2: Review of Bank of Cyprus Pay Structure**

Action	Responsible
<b>Review of salary structure</b>	The pay structure is agreed with the Trade Union (excluding Senior Management). Changes are agreed in the context of the renewal of the collective agreement.

**Table 7.3: Identification of MRTs**

Action	Responsible
<b>Propose</b>	Review of all roles (in line with regulatory criteria) by HR and Risk Divisions (with Compliance Division input, as needed) and preparation of recommended list of MRTs.
<b>Review</b>	ED-People & Change and Chief Risk Officer
<b>Recommend</b>	Joint HRRC/NCGC (through RC)
<b>Approve</b>	BoD

**Table 7.4: Granting of Horizontal Annual Increments**

Action	Responsible
<b>Decision</b>	Automatically granted to all staff once a year, subject to the applicable provisions of the collective agreement
<b>Execution</b>	HR (Payroll) – annually, every January.

**Table 7.5: Granting of Merit Pay (based on collective agreement)**

Action	Responsible
<b>Propose</b>	Divisional Directors in cooperation with HR, subject to the criteria agreed with the trade union
<b>Review &amp; Approve</b>	Merit Pay Committee
<b>Notification</b>	Respective BoD Committees (For Heads and Senior Officers of Control Functions) HRRC (For Other MRTs)

**Table 7.6: Promotions Process per Employee Group**

	Other Senior Management	Heads of Control Functions	Senior Officers of Control Functions	All Other Staff
Action	Responsibility			
Propose	HR in cooperation with the CEO	Committee Chairman submits proposal to respective Committee (HR notified)	HR in cooperation with affected Head CF	Affected DDs
Review	CEO	Affected BoD Committee	Affected BoD Committee	Human Resources
Review/Recommend	HRRC	HRRC	HRRC	Human Resources
Approve	BoD	BoD	BoD	CEO

**Table 7.7: Other Types of Fixed Remuneration Changes per Employee Group (Ad hoc)**

	Executive Members of BoD	Other Senior Management	Heads of CF and other staff reporting to Board Committees	Senior Officers Control Functions (CF)	MRTs & Other employees with total annual remuneration ≥€500,000	All Other Staff
Action	Responsibility					
Propose	Joint NCGC / HRRC	CEO (in cooperation with HR)	Affected BOD Committee (in cooperation with HR)	Affected BOD Committee (in cooperation with HR & Head CF)	HR (in cooperation with affected DDs, CEO or BOD Committee)	HR in (cooperation with affected DDs)
Review / Recommend	N/A	HRRC	HRRC	HRRC	HRRC	N/A
Approve	BoD	BoD	BoD	BoD	BoD	CEO

**Table 7.8: Granting of Variable Remuneration per Employee Group (e.g. STIP)**

	Executive Members of BoD	Other Senior Management	Heads of CF and other staff reporting to Board Committees	Senior Officers Control Functions (CF)	MRTs & Other employees with total annual remuneration ≥€500,000	All Other Staff
Action	Responsibility					
Propose	Joint NCGC / HRRC	CEO (in cooperation with HR)	Affected BOD Committee (in cooperation with HR)	Affected BOD Committee (in cooperation with HR & Head CF)	HR (in cooperation with affected DDs, CEO or BOD Committee)	HR in (cooperation with affected DDs)
Review / Recommend	N/A	HRRC	HRRC	HRRC	HRRC	N/A
Approve	BoD	BoD	BoD	BoD	BoD	CEO

## **APPENDIX A: SPECIAL PRINCIPLES APPLICABLE TO MRTs**

### **i. SERVICE CONTRACTS**

#### **• Executive Directors:**

The remuneration (salary, pension policy – other than possible existing arrangements made through the Provident Fund, option plans, other types of compensation and bonus) of Executive Board Directors is defined in fixed length service contracts, with a maximum duration of five years, with an option to renew upon expiry. The service contracts include a clause for compensation in the event of non-justified early termination. In case the executive director is an appointed member of the senior management team, the terms of employment are based on the provisions of the collective agreement in place.

The HRRC provides the remuneration needed to attract, retain and motivate Executive Directors of the required calibre, but should avoid paying more than necessary for this purpose.

Employment contracts of Executive directors should not contain clauses that can be interpreted as being prohibitive in cases of acquisition, or merger of the Company. Furthermore, they should not include clauses subjecting the company to fines imposed on Directors.

Service contracts should ensure that poor performance is not rewarded. Payments relating to the early termination of a contract should reflect performance achieved over time and should not reward failure, or misconduct. A robust line should be taken on reducing compensation to reflect departing Executive Directors' obligations to mitigate losses.

Service contract of Executive Directors should:

- Give careful consideration to the compensation commitments of the Group in the situation of early termination, with the aim of requiring Directors to mitigate for their loss and for the Group to avoid rewarding poor performance.
- Fix compensation for loss of office so that it does not exceed one year's salary and/or is in line with prevailing labour laws.
- Ensure that the quantum of remuneration is appropriate, reflects his, or her role and responsibility and is no more than is necessary.
- Aim for simplicity rather than complexity and minimise the scope for flexibility and the exercise of discretion.
- Seek to avoid over-frequent benchmarking, increases in base pay in excess of inflation, or as awarded to the rest of the Group's employees, and ex-gratia and other non-contractual payments.
- Ensure that performance-related elements of their remuneration are transparent, stretching, rigorously applied and linked to the attainment of the Company's strategy and long-term value-creation and otherwise in line with Schedule A of the UK Corporate Governance Code.
- Aim to ensure that the total Executive Directors' remuneration is not out of line with general increases across the Group.
- Ensure the Company is able to recover sums paid, or to withhold the payment of any sum, and specify the circumstances in which it is appropriate to do so.

Executive Directors' share options should not be granted at a price lower than the average closing price of the last thirty (30) trading days prior to the granting date.

In case where any of the Executive Directors is an appointed member of the Senior Management team, the terms of employment are based on the provisions of the collective agreement in place (except the CEO).

#### **• Other MRTs:**

Service contracts of MRTs are in line with provisions that may exist from time to time and that refer to any applicable collective agreement obligations.

## ii. VARIABLE REMUNERATION

The following provisions are applied, at a minimum, for MRTs, whose activities have a material impact on the risk profile of the Group:

- The amount of variable remuneration is calculated based on the achievement of the Group's strategic goals (e.g. targets for profitability) and measurable performance criteria (Key Performance Indicators) and taking into account the risk appetite statement of the Bank and the Group's ESG strategy. Furthermore, individual performance and other qualitative criteria are also taken into account.

The measurement of performance used to calculate the variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of capital and liquidity required.


- Disassociation of the remuneration of employees engaged in Control Functions from the targets and performance of the Business Units they oversee and the assessment of Control Functions with regards to their own objectives and responsibilities.
- Association of the payment of variable remuneration with the Bank's values, such as compliance culture, ethics, behaviour towards customers and the prevention of conflict of interest, as noted in the Employee Code of Conduct and the relevant Compliance Policy.
- Deferral, payment in instruments and malus & claw back provisions for each variable pay plan will be within the parameters set by legislation and regulatory guidance and in accordance with the stated objectives and characteristics of each plan.

## **APPENDIX B: GLOSSARY OF TERMS**

- **Allowances:** Elements of pay in the form of a separate sum of money for such aspects of employment as overtime, shift working, call-outs.
- **Annual Base Salary (ABS):** Is the total sum of base salary received over an annual period. It includes guaranteed fixed payments (i.e. COLA).
- **Clawback:** An arrangement under which the staff member has to return ownership of an amount of variable remuneration paid in the past, or which has already vested to the institution under certain conditions.
- **Deferral (Period):** The period of time between the award and the vesting of the variable remuneration during which the staff member is not the legal owner of the remuneration awarded.
- **Eligible employees (for variable pay plan purposes):** any Employee of the Bank, or the Group (based on the eligibility conditions of the Plan in question).
- **Fixed Remuneration:** Is the total remuneration received over an annual period, which includes annual base salary plus other non-discretionary benefits and allowances (such as pension benefits).
- **Gender pay-gap:** The difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men.
- **Material Risk Takers (also known as Identified Staff):**
  - (a) All staff members and categories of staff of a supervised credit institution whose professional activities have a material impact on the credit institution's risk profile and who are specified in points (a) to (c) of Article 92(3) of Directive 2013/36/EU; and (b) All other staff members and categories of staff who are not expressly specified in points (a) to (c) of Article 92(3) of Directive 2013/36/EU and whose professional activities have an impact on a supervised credit institution's risk profile that is comparably as material as that of the staff members or categories of staff identified in accordance with Article 4 of Delegated Regulation (EU) 2021/923.
- **Instruments:** Instruments that fall within one of the following two categories:
  - Shares of equivalent ownership interests, or share-linked instruments; and
  - Other instruments that adequately reflect the credit quality of the credit institution.
- **Job Evaluation:** A systematic process for measuring the relative job value.
- **Long Term Incentive Plan (LTIP):** A type of executive remuneration that typically comes in the form of share options, or performance shares of the company.
- **Malus:** Arrangement that permits the institution to reduce the value of all, or part of deferred variable remuneration based on ex post risk adjustments before it has vested.
- **Pay Structure:** Hierarchy of grades and the associated remuneration. It is defined by a minimum and maximum value of remuneration at each salary scale.
- **Retention Period:** Period of time after the vesting of instruments (which have been awarded as variable remuneration) during which they cannot be sold or accessed.
- **Senior Management Team:**
  - Divisional Directors that report to the CEO, D-CEO & Chief of Business or one of the ExCo members
  - Divisional Directors that report to Board Committees
  - General Managers of major subsidiaries (Eurolife, GIC)
- **Senior Officers of Control Functions:** Managers reporting to Heads of Control Functions.
- **Short Term Incentive Plan (STIP):** A type of variable remuneration that typically comes in the form of cash.
- **Vesting:** The effect by which the staff member becomes the legal owner of the variable remuneration awarded.

## **APPENDIX C: SENIOR MANAGEMENT POSITIONS**

Senior Management	
1	Chief Executive Officer
2	Deputy CEO & Chief of Business
3	Director Consumer Banking
4	Director Corporate & SME Banking
5	Director International Banking
6	Chief Digital Officer
7	Director Insurance Business
8	General Manager Eurolife
9	General Manager GIC
10	Executive Director Finance & Legacy
11	Director Treasury
12	Director Restructuring & Recoveries
13	Director REMU
14	Executive Director People & Change
15	Chief Legal Officer
16	Executive Director Technology & Operations
17	Director Operations & Chief Cost Officer
18	Chief Risk Officer
19	Chief Compliance Officer
20	Director Internal Audit
21	Chief Information Security Officer

 Executive Team Members (ExCo)

**Note:** The list is dynamic and subject to change, in line with changes in the organisational structure