



HRVATSKA POŠTANSKA BANKA p.l.c.



## REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF HRVATSKA POŠTANSKA BANKA p.l.c.

*Zagreb, March 2021*

**TABLE OF CONTENTS**

<b>1. INTRODUCTORY PROVISIONS .....</b>	<b>3</b>
<b>2. REMUNERATION POLICY GOALS .....</b>	<b>4</b>
<b>3. REMUNERATION STRUCTURE .....</b>	<b>5</b>
3.1. <i>Fixed remuneration .....</i>	<i>5</i>
3.2. <i>Variable remuneration .....</i>	<i>7</i>
3.3. <i>Contribution of remuneration structure to business strategy and long-term development.....</i>	<i>12</i>
<b>4. BASIC INFORMATION ON CONTRACTUAL RELATIONS WITH THE MEMBERS OF THE MANAGEMENT BOARD .....</b>	<b>13</b>
4.1. <i>Managing conflict of interest.....</i>	<i>14</i>
<b>5. FINAL PROVISIONS.....</b>	<b>15</b>
5.1. <i>Adoption and review of the Remuneration policy .....</i>	<i>15</i>
5.2. <i>Period of application and disclosure .....</i>	<i>15</i>

Pursuant to Articles 247a, 269, paragraph 3 and 275, paragraph 1, item 3 of the Companies Act (NN 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 111/2012, 125/2011, 68 / 2013, 110/2015, 40/2019, hereinafter: C.A.), following the implementation of the Directive (EU) 2017/828 of the European Parliament and of the Council from May 17 2017 amending Directive 2007/36/EC with regard to the promotion of long-term participation of shareholders, the Supervisory Board on March 29, 2021 determines and submits for approval and decision by the General Assembly the following document:

## REMUNERATION POLICY

### FOR MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF HRVATSKA POŠTANSKA BANKA p.l.c.

#### 1. INTRODUCTORY PROVISIONS

Remuneration policy for members of the Management Board and Supervisory Board of Hrvatska poštanska banka p.l.c. (hereinafter: **the Policy**) sets out the basic principles and guidelines that Hrvatska poštanska banka p.l.c. (hereinafter: **the Bank**) will apply in determining, allocation and payment of all types of remuneration to members of the Management Board and the Supervisory Board. The policy is based on The principal remuneration policy of Hrvatska poštanska banka p.l.c. and HPB Group (hereinafter: **the principal remuneration policy**), which - in accordance with its powers under the Credit Institutions Act (hereinafter: C.I.A.) and the Decision on staff remuneration (hereinafter: CNB Decision) – is adopted by the Management Board with the consent of the Supervisory Board, as well as on the Code of Corporate Governance drafted by CFSSA and ZSE. The Principal Policy applies to all matters not otherwise regulated by this Policy.

The mentioned Principal remuneration policy has been drafted in accordance with the relevant regulations governing the area of remuneration and is in line with the business strategy, goals, values and long-term interests of the Bank and the HPB Group.

The remuneration policy of the members of the Management Board is determined by the Supervisory Board and approved by the General Assembly. At the same time, the General Assembly is responsible for deciding on the remuneration of members of the Supervisory Board. Consequently, this Policy is adopted with the approval of, i.e. the decision by the General Assembly.

For the purposes of this Policy, remuneration includes all forms of payment and benefits, in cash or in kind, paid to an employee in exchange for the work performed by that employee, which include payments based on employment and other payments. Remuneration also includes indirect payments and benefits paid to employees of one member of the HPB Group by another member of the HPB Group, or a company associated with the HPB Group, including payments based on an outsourcing agreement. Total remuneration may be consisted of fixed and variable payments. Payment value is determined in gross-1 amount.

## 2. REMUNERATION POLICY GOALS

The Bank's goal is to establish a remuneration system that reflects a clear link between the set business goals and performance and that is focused on the long-term interests of the institution, and thus the shareholders. Taking this into account, this Remuneration Policy should at least meet the following criteria:

<p><b>Legal framework</b></p>	<p>Defining compensation structure and corresponding values is done within and in accordance with the legal framework governing remuneration in credit institutions. This primarily refers to the regulations prescribed by the C.I.A., the CNB Decision, as well as related national and EU regulations and guidelines.</p>
<p><b>Business strategy</b></p>	<p>Remuneration system should be in the function of achieving long-term goals, Bank's interests and values of the Bank and the HPB Group. Emphasis is on fixed compensation, thereby excluding risk-taking that exceeds acceptable risk levels.</p>
<p><b>Performance criteria</b></p>	<p>Variable compensation is based solely on performance criteria. Therefore, there is no guaranteed variable compensation. Results arising from the activities of the institution as a whole, its organizational units, and only then on the individual level - in relation to risks, liquidity and capital, are the basis for the possible allocation and payment of variable compensation.</p>
<p><b>Ratio between fixed and variable compensation</b></p>	<p>Remuneration should be competitive, acceptable and realistic, in line with the value that the position has for the institution, as well as in accordance with the overall situation and practice in the relevant market.</p> <p>Fixed compensation must represent a sufficiently high share within the total compensation, in order to allow fully flexible policy of variable compensation, including the possibility of non-payment of the variable part of the compensation. Meanwhile, it is mandatory to comply with the related regulatory requirements in relation to the maximum permitted ratio between fixed and variable compensation.</p>

### 3. REMUNERATION STRUCTURE

HPB's emphasis is on optimizing earnings in a way that the focus is on fixed compensation, with the possibility of exercising the right to variable compensation, but only in controlled conditions. The latter means under pre-defined rules for determining, allocating and paying variable receipts. This model is aimed at financial stability of workers, in such a way that there is no dependence of workers on variable remuneration, and avoiding the actions of workers focused solely on short-term individual interests, which on the one hand leads to employee satisfaction, while on the other hand to long-term values for shareholders.

Based on this, the rule is set that the remuneration of members of the Management Board may consist of fixed and variable remuneration, while the remuneration of the Supervisory Board, by taking into account their supervisory role, consists exclusively of fixed remuneration.

#### 3.1. Fixed remuneration

**Fixed remuneration** reflect the demands of the position, corresponding professional experience and accountability.

Generally, at the level of the HPB Group, compensation is fixed if it meets the following conditions:

- it is based on criteria that are determined ex-ante,
- it reflects the level of professional experience, length of worker's previous employment and other conditions defined by internal regulations,
- it is transparent from the aspect of an individual amount allocated to an individual worker,
- it is paid on a continuous basis over a period of time related to the position of the employee in the organizational structure and the powers and responsibilities arising from that position,
- it is irrevocable, and the fixed amount can be changed only through changes in the collective agreement, work rulebook or employment contract,
- cannot be reduced, temporarily suspended or stopped, unless it is a consequence of the implementation of disciplinary sanction, fine imposed in accordance with the law governing labor relations, collective agreement or work rulebook or if the employee has agreed to suspension of salary payment or has given written consent to the seizure of salary or other permanent monetary income for the purpose of settling a creditor's claim, except in the part in which that income is exempt from enforcement, in accordance with the law governing enforcement and insurance proceedings,
- does not induce risk taking,
- does not exclusively depend on successful performance and
- does not depend on a discretionary decision.

Fixed remuneration of members of the Management Board in the form of basic salary and fixed supplement to salary relating to work in the Bank's committees are determined in the Contract on performance of duties of the President / member of the Management Board (hereinafter: **the Contract**). Their amount is defined by the Contract in accordance with the market conditions and benchmark analysis for comparable institutions and the provisions of the *Corporate governance code for companies in which the Republic of Croatia holds a shareholding*.

Fixed remuneration of members of the Supervisory Board is determined by the General Assembly, and their amount is also proposed by taking into account the *Corporate governance code for companies in which the Republic of Croatia holds a shareholding*.

Fixed remuneration of members of the Management Board also consists of other benefits granted to members of the Management Board based on the Contract or internal acts of the Bank as an employer, if these benefits meet the defined criteria for fixed remuneration.



An overview of fixed compensation of the Bank's Management Board, as well as the basis for their allocation, is given below:

Fixed compensation category	Basis for allocation	Amount defined by
Basic salary	the Contract	in the Contract
Fixed salary supplement relating to work in the Bank's committees <sup>1</sup>	the Contract	in the Contract
Supplementary and additional health insurance	Work rulebook	in accordance with the concluded insurance policy or the contract signed with the insurance company
Life insurance in case of disability or death due to an accident or illness <sup>2</sup>	the Contract	in the Contract
Company car for both business and private purposes	the Contract	in the Contract
Fixed part of severance pay, payment during contractual non-competition clause	the Contract, Labour Act	in the Contract, in the Labour Act
Holiday allowance, Christmas payment and other customary employee packages	the Contract, Work rulebook	in the Contract, in the Work rulebook

The percentage of fixed compensation in total remuneration, in a situation where variable compensation is not allocated, is in the following range:

Fixed compensation category	Share in annual compensation
Basic salary and Fixed salary supplement relating to work in the Bank's committees <sup>1</sup>	91-96%
Company car for both business and private purposes	2-8%
Life insurance in case of disability or death due to an accident or illness <sup>2</sup>	1-2%
Supplementary and additional health insurance	≈0,3%

<sup>1</sup> Loan Committee, Assets and Liabilities Management Committee and Operational Risk Management Committee.

<sup>2</sup> The Bank undertakes to insure a member of the Management Board with a reliable insurer at its own expense in such a way that during the term of the Contract, i.e. during the term of office of the President / Member of the Management Board, it pays life insurance premium in case of disability or death due to accident or illness, in the following insurance amounts: (i) in the event of death due to illness an indemnity amount in the kuna equivalent of EUR 150,000 (in words: one hundred and fifty thousand euros), or in the event of death due to accident an indemnity amount in the kuna equivalent of EUR 300,000 (in words: three hundred thousand euros) in favor of the legal heirs of the President / Member of the Management Board of the first hereditary order, (ii) in the case of permanent disability due to an accident in the amount of EUR 150,000 (in words: one hundred and fifty thousand euros) in favor of the President / Member of the Management Board.

Fixed remuneration of members of the Supervisory Board refers to a fixed remuneration for engagement in the Supervisory Board and related committees of the Supervisory Board<sup>3</sup> in the amount which is defined by a special decision of the General Assembly, which will be adopted by the General Assembly at least once every four years. A decision confirming an earlier decision is allowed. The percentage share of fixed compensation in total remuneration is 100%.

### 3.2. Variable remuneration

Variable remuneration represents the income that does not meet the requirements for classification as fixed remuneration. In this sense, this type of remuneration depends on the performance of employees, organizational units and the institution, and are aimed at rewarding employees, with the aim of:

- being directed at attracting, motivating and retaining workers through an income level that exceeds the possibility arising from fixed remuneration and/or
- thanking for special contributions in achieving business goals and for a positive impact on the risk profile of the institution.

There are currently no reward programs adopted. The Supervisory Board is authorized to adopt a remuneration program for members of the Management Board, which prescribes all criteria for determining, allocating and paying variable remuneration. The value of the program is defined so that the amount of variable remuneration on an annual basis may not exceed the amount of a fixed part of the total remuneration of employees on an annual basis. Thus, when allocating variable remuneration, the maximum ratio of fixed and variable compensation on an annual basis should be in the range of 50:50. There are currently no adopted remuneration programs and only a variable severance pay has been agreed with employees (in the part where, according to the applicable regulations, it cannot be classified as a fixed benefit).

Legal framework sets limits on the authorization to determine, allocate and pay variable remuneration. In accordance with the restrictions set in this way, at the level of the HPB Group, special principles and rules for determining, allocating and paying variable remuneration have been established, which are defined by the Principal Remuneration Policy, which applies in particular to the following essential elements:

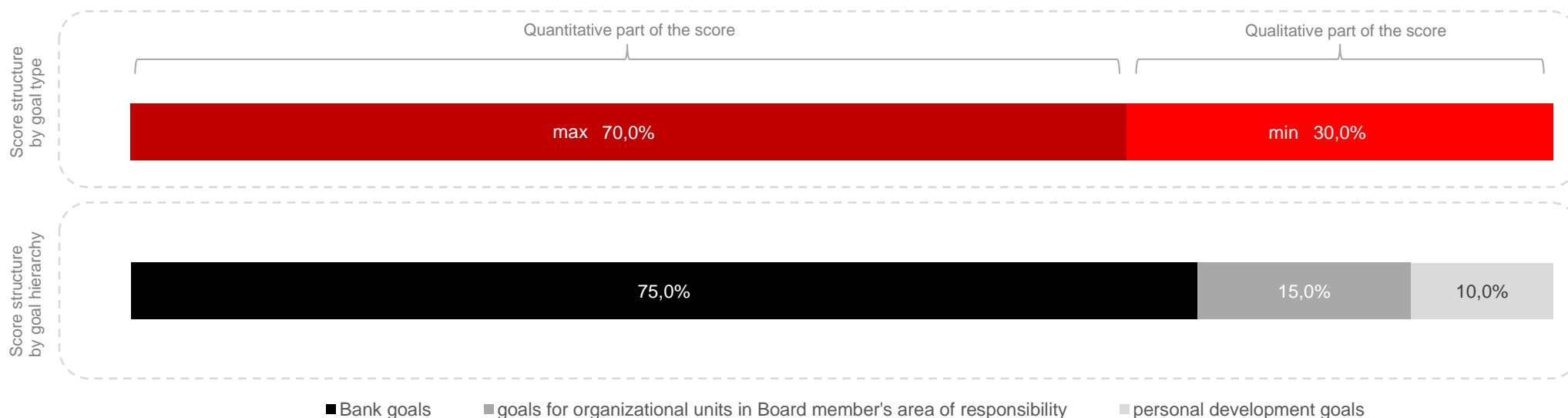
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<sup>3</sup> Audit Committee set up in line with Audit Law, Remuneration Committee, Nomination Committee and Risk Committee in line with C.I.A.

(i) Performance measurement for the members of the Management Board

To measure the performance of the members of the Bank's Management Board, operational business goals arising from the business strategy, value and long-term business goals and interests of the Bank are used. Operational business objectives, which represent desired results or outcomes of business activities, are expressed through key performance indicators with the corresponding method of measurement. At the same time, variable remuneration is strongly related to the system of effective risk management and the achievement of sustainable capitalization and profitability<sup>4</sup>.

Objectives and key performance indicators for members of the Management Board for each business year are approved by the Supervisory Board. These goals must be qualitative and quantitative in nature, whereby the overall performance score for members of the Management Board is structured as follows<sup>5</sup>:



The calculation methodology is prescribed internally within the Bank by the Performance Management Rulebook, which is part of the Principal Remuneration Policy. Based on the adopted business strategy, key performance indicators are determined for a strategic period that usually lasts between three and five years.

<sup>4</sup> As opposed to this, the fixed part of the remuneration is not directly related to the achievement of objectives, but represents a fixed income, which reflects the scope of responsibilities arising from the function of a member of the Management Board in a credit institution, the experience of a member of the Management Board and other elements described in paragraph 3.1. of this Policy.

<sup>5</sup> Bank goals and the group of personal development goals (those related to the degree of behavior in accordance with the corporate values of the Bank) are the same for all members of the Management Board.



The defined set of objectives and key performance indicators is shown in the following table. In this sense, each KPI is a guideline that reflects financial objectives that are adequately aligned with the business strategy, objectives and long-term interests of the Bank, taking into account the impact of the COVID-19 pandemic on the dynamics of economic activities in Croatia. Accordingly, for the next period during which this Policy is applied, goals have been defined with an emphasis on prudent capital management, rational cost management and creation of sustainable revenues based on quality customer service, in order to achieve the optimal outcome for the Bank, its shareholders and clients during post COVID-19 era.

Goals for 2020 are shown below:

	<b>KPI</b>	<b>Goal description</b>	<b>Weight</b>
<b>RESPONSIBLE CAPITAL MANAGEMENT</b>	<b>Total capital ratio</b>	Comparison with the defined minimum indicator in the Risk Appetite Statement	<b>20%</b>
<b>ACTIVE LIQUIDITY MANAGEMENT</b>	<b>LCR</b>	Comparison with the defined minimum indicator in the Risk Appetite Statement	<b>10%</b>
<b>SUSTAINABLE VALUE CREATION</b>	<b>RORWA</b>	Comparison with Croatian credit institutions' sector	<b>20%</b>
<b>AGILE COST MANAGEMENT</b>	<b>C/I</b>	Comparison with Croatian credit institutions' sector	<b>20%</b>
<b>CUSTOMER SATISFACTION IMPROVEMENT</b>	<b>Service quality index – retail segment</b>	Improved customer satisfaction	<b>30%</b>

(ii) Special criteria for determination, allocation and payment of variable remuneration

The Supervisory Board approves the determination, allocation and payment of variable remuneration at the Bank level in accordance with the Principal remuneration policy, aiming at additional monitoring of the fulfillment of all regulatory preconditions for its determination, allocation and payment. In doing so, variable compensation is granted to members of the Management Board after the end of the assessment period of at least one year. When making decisions related to the employee, the results of performance measurement are put in context with the results of performance measurement during the previous three years, if there are comparative data, in order to assess long-term performance. In this way, the aim is to prevent situations where actions based on short-term interests are rewarded. Such approach is in line with good business practice.

If variable compensation on an annual basis would exceed HRK 200,000.00 or 30% of fixed compensation of a member of the Management Board on an annual basis, it is granted under following conditions:

- at minimum 40% of the variable compensation should be deferred for payment, while in the case of an extremely high variable compensation, the minimum deferral rate is 60%. At the level of the HPB Group, the category of an extremely high part of the variable compensation is set at the level of HRK three million on an annual basis or a variable compensation equal to or exceeding 100% of the fixed compensation on an annual basis;
- deferral period should not be shorter than 5 years;
- at minimum 50% of each part of variable compensation should be consisted of financial instruments;
- a retention period of at least one year is mandatory, regardless of whether the compensation is deferred or not deferred. Meanwhile, in accordance with the Corporate Governance Code, the ban on disposing of shares allotted as part of the receipt lasts for a minimum of two years from the date on which they were allotted.

Deferred compensation is paid, i.e. the rights from financial instruments are transferred in full at the end of the deferral period or on several occasions during the deferral period by applying the principle of linear accrual, depending on the risks and adjustments made on a case-by-case basis. The principle of linear accrual during the payments of deferred compensation requires that for compensation deferred over n years, starting from the end of the assessment period, payments of compensation at the end of each year from the end of the assessment period constitute deferred compensation multiplied by  $1 / n$ .

Ordinary shares of HPB are used to pay part of the variable compensation in financial instruments. In determining the number of shares to be allotted or in determining any subsequent reduction in the number of financial instruments allotted to an employee on the basis of variable remuneration, the market or fair value of the instrument at the allotment date is used.

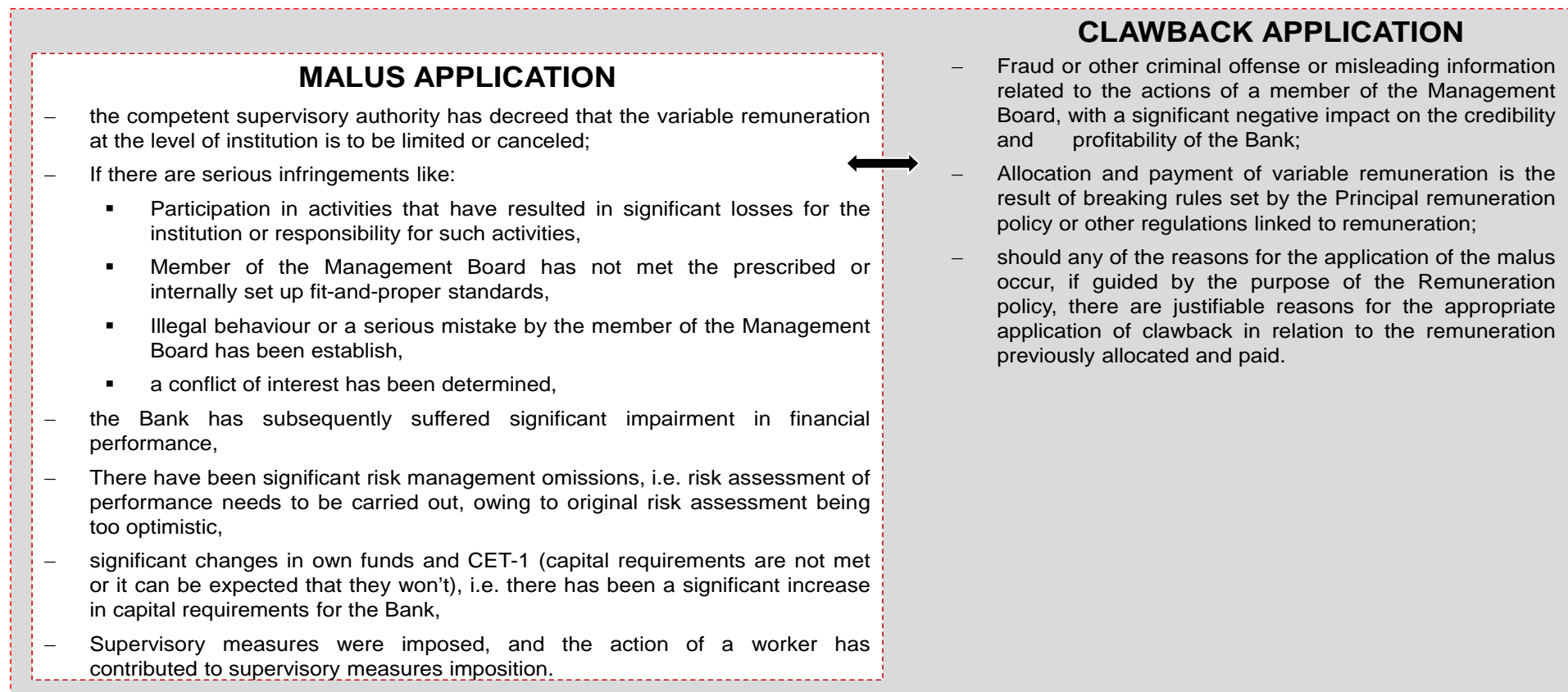
Deferred portions of compensation may not be paid more than once a year. The first deferred portion of compensation may be paid at least one year after the start of the deferral period. An amount of dividend or interest on an instrument may not be paid to a member of the Management Board before the rights from that financial instrument have been transferred to him.

(iii) Ex-post risk monitoring for variable remuneration

Variable remuneration is fully subjected to reduction by applying the provisions on malus and clawback, whereby they can be reduced by up to 100 percent.

Malus makes it possible to reduce remuneration that has previously been allocated but has been deferred and has not yet been paid. Malus applies to deferred unpaid variable remuneration in full. Clawback represents means the return of amounts paid or rights transferred from instruments, regardless of whether they were deferred or not.

The decision on activating the provisions on malus and clawback is made by the Supervisory Board and it defines the reasons, necessary measures and rules of procedure in relation to the specific case that led to the need for their activation. Checking whether situations have occurred that lead to the activation of malus or clawback clauses is performed at least once a year, and the circumstances that could lead to the application of these clauses are shown in the following diagram:



### 3.3. Contribution of remuneration structure to business strategy and long-term development

#### (i) Fixed remuneration

Adequacy and sustainability of fixed remuneration of members of the Management Board is ensured by determining the fixed remuneration of members of the Management Board on the basis of benchmark analysis for comparable institutions and provisions of the *Corporate governance code for companies in which the Republic of Croatia holds a shareholding*. A fixed income enables the financial stability of a member appropriate with regard to his professional experience and position, and thus excludes a business strategy aimed at taking risks for the institution that exceeds the level of acceptable risk. In this way, long-term success is created, which is in the interest and in line with the goals of shareholders.

On the other hand, fixing the remuneration of the Supervisory Board ensures the independence of the supervisory function from business risks, and thus the appropriate supervision over the work of the Management Board.

#### (ii) Variable remuneration

The Supervisory Board decides on the maximum amount of variable remuneration that the institution will determine for all employees in the business year for a certain assessment period, within the approved total expenditure budget of the institution in relation to employee remuneration. When deciding on the maximum amount of variable remuneration, the following shall be taken into account:

- all types of risks,
- expected and unexpected losses,
- ratio between variable and fixed compensation,
- criteria for assessing long-term performance and risks,
- control goals and financial position, including capital adequacy and liquidity.

Therefore, variable compensation at the overall level of the Bank, i.e. at the individual level for members of the Management Board is based on a combination of assessment of the performance of a member of the Management Board, performance of organizational units in his area of responsibility and overall performance of the Bank, whereby correction in performance score can occur through qualitative and quantitative criteria for adjusting variable compensation to performance and risks.

In this sense, the Bank's Strategy and the Risk Appetite Statement (RAS) represent a framework of risk and risk exposure that are the starting point for determining performance criteria and target levels, which are in line with the Bank's long-term interests.

This promotes a sustainable and consistent goal achievement culture. Variable compensation is not allocated and paid in the event of failure or risk.

Members of the Management Board are subject to allocation and payment criteria and a limit in the ratio of fixed and variable remuneration that applies to all identified employees of the Bank, i.e. employees whose professional activities have a significant impact on the risk profile. This implies that their position does not differentiate from the position of other identified workers.

#### 4. BASIC INFORMATION ON CONTRACTUAL RELATIONS WITH THE MEMBERS OF THE MANAGEMENT BOARD

Members of the Management Board concluded the Contract on performance of duties of the President / member of the Management Board, which established their employment with the Bank. The signatories have defined in the contract the employment relationship between the President / members of the Management Board and the Bank for a fixed period defined by the duration of their term of office. The contract can be terminated under the following scenarios:

- expiration of the term-of-office for with the member of the Management Board had been appointed to;
- resignation by the member of the Management Board, with a termination period of 90 days, exceptionally 6 months;
- revocation by the Supervisory Board, without a termination period or with a termination period of up to 90 days;
- occurrence of assumptions from Art. 37, paragraph 2 of the C.I.A., ie due to the introduction of special management to the Bank, the appointment of liquidators based on Act on forceful liquidation of credit institutions (NN 146/20), or the introduction of bank resolution management based on Act on resolution of credit institutions and investment companies (NN 146/20).

A member of the Management Board may exercise the right to severance pay. In this case, the Bank is obliged to pay the President / Member of the Management Board a severance pay determined by the contract, which will also be determined by the work rulebook in the total gross amount of six agreed fixed monthly incomes, i.e. monthly salaries increased by fixed remuneration for membership and related work and responsibilities in the Bank's committees.

The basis for the payment of severance pay may also arise from the law. Depending on the basis of payment, severance pay is classified as fixed or variable.

Within one year after the termination of the contract, the President / Member of the Management Board may not be employed by another legal entity that was in a business relationship with the Bank during the term of office of the President / Member of the Management Board or intends to enter into a business relationship with the Bank. The Bank irrevocably undertakes to pay the President / Member of the Management Board a monthly fee for this contractual non-competition clause, for the first six months in the amount of 100% of the average monthly gross income of the President / Member of the Management Board (monthly salary increased by the fixed salary supplement relating to work in the Bank's committees) paid during the period of the last three months before the termination of the contract, and in the other six months in the amount of 50% of the mentioned gross income. Exceptionally, the President / Member of the Management Board may be employed with the consent of the state body responsible for deciding on conflicts of interest, in which case the Bank's obligation to pay out compensation to him shall cease.

The contractual non-competition clause represents a fixed income.

Fixed monthly income consists of monthly salary increased by the fixed salary supplement relating to work and accountability in the Bank's committees

As part of the usual packages for all employees, the Bank pays supplementary and additional health insurance to the members of the Management Board.

The Bank does not provide compensation packages for members of the Management Board that are related to voluntary pension insurance and / or purchase of additional pension length of service in the event of early retirement.

#### 4.1. Managing conflict of interest

The established remuneration system, as presented in the previous provisions of this Remuneration Policy, is aimed at performance management, but also at preventing conflict of interest. This is particularly reflected in the following:

- the emphasis is on fixed worker compensation. Variable compensation is an exception and may include only a limited part of the total remuneration of the Management Board. Meanwhile, the Supervisory Board is excluded from variable remuneration in order to ensure independence in their activities;
- variable remuneration can only be granted within controlled conditions. These conditions are related to capital adequacy, risks and overall performance of the institution, organizational units and the individual worker, with assessment based on qualitative and quantitative criteria;
- performance is measured annually. At the same time, the results of performance measurement are compared with the results of performance measurement during the previous three years, if comparative data are available, in order to view performance in the long run, which aims at preventing situations focused on short-term interests;
- members of the Management Board and the Supervisory Board are not in the position to determine the amount of their own compensation;
- non-competition for members of the Management Board has been agreed for a period of one year after the termination of the Contract.

The members of the Management Board have undertaken not to use personal strategies for protection against the risk of reduction of variable remuneration or to conclude insurance policies against loss of variable remuneration or insurance against unfavorable outcome of assumed risks.

The basic principles and rules of managing conflict of interest and the basic starting points in identifying and preventing conflicts of interest in each segment of business and work of employees, are prescribed by applicable legislation (e.g.: C.I.A., C.A.), as well as internal acts of the Bank in relation to different business segments. Implementing acts and business practices in various business segments further operationalizes concrete measures to prevent conflicts of interest, determine where the infringement has occurred and establish corrective measures.

The position of the members of the Management Board should be considered by taking into account the predominant state ownership. In this regard, there are additional regulations of the Law on the Prevention of Conflicts of Interest that apply to the president and members of the management board of predominantly state-owned companies, who, in terms of that law, have the position of officials. The regulations in question provide additional protection against conflicts of interest at the level of the HPB Group. Namely, in this segment, the President and members of the Management Board, as identified workers, are under additional control of the Commission for deciding on conflicts of interest.



## 5. FINAL PROVISIONS

### 5.1. Adoption and review of the Remuneration policy

The General Assembly decides at least once every four years whether to approve the Remuneration Policy submitted by the Supervisory Board, and whenever it is significantly changed.

Remuneration Committee has a duty to recommend to the Supervisory Board at least every three years the remuneration policy of the Management Board, with each year assessing the level of remuneration of members of the Management Board, based on assessment of company results and personal results. Other duties of the Remuneration Committee are as follows: recommendation to the Supervisory Board of the remuneration policy for the members of the Supervisory Board, which is submitted for approval to the General Assembly; overseeing the amount and structure of remuneration to senior management and employees as a whole and recommending management policies; supervising the preparation of the statutory mandatory annual report on remuneration with for the consent of the supervisory board.

Deviations from the Remuneration Policy are allowed even without its prior amendment when necessary to comply with regulatory requirements and supervisory measures.

Any decision to amend the Remuneration Policy will be made in accordance with the rules and roles governing the work of the Supervisory Board, the Remuneration Committee, internal audit function and other functions of the Bank, whose roles and responsibilities regarding remuneration are set in the principal remuneration policy and corresponding CNB Decision, which apply to this policy in an appropriate manner. The procedure for verifying that the Remuneration Policy is in line with the set objectives is carried out at least once a year, at the same time as the revision of the Principal Remuneration Policy.

If deficiencies are identified in the process of auditing the Remuneration Policy, in view of the content or its implementation, as well as when it is determined that it does not have the expected effect, the revised Policy will be submitted to the General Assembly.

If the proposed policy is not approved at the General Assembly, compensation continues to be paid in accordance with existing practices, while a revised policy is to be submitted to the next General Assembly. The same accordingly applies to the decision on the amount of remuneration of members of the Supervisory Board.

### 5.2. Period of application and disclosure

Remuneration policy enters into force on the day of the decision of the General Assembly and is applied during the next four-year period. Exceptionally, the Remuneration policy is applied for a shorter period, if before the expiration of its duration, it is amended and adopted in the amended content.

Approved Remuneration Policy is published and made available free of charge on the Bank's website for a period of ten years.

Marijana Miličević

President of the Supervisory Board