

# Erste Group Bank AG – Remuneration Policy

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# 1. General

This policy provides a remuneration framework for Erste Group Bank AG (Erste Holding) and respective subsidiaries as listed on page 2 of this document, simply called subsidiaries in the following. The remuneration strategy is designed to reward competitively based on the achievement of long-term sustainable performance. The remuneration strategy aims at attracting and retaining the competent and engaged employees and who perform their roles in the long-term interests of the institution's customers and shareholders.

To achieve this objective, Erste Holding believes in a balance between monetary and non-monetary rewards and in fixed and variable remuneration. The monetary and non-monetary rewards are linked with the Erste Holding values and respective company strategies. Remuneration is either paid through fixed or variable components. Fixed remuneration reflects the relevant professional experience, competence and organisational responsibility of employees and provides a stable source of income. Variable remuneration is based on performance and in exceptional cases other conditions; variable remuneration provides incentives for prudent risk taking in the long term and for sound risk management.

In the event that the remuneration policy deviates from Austrian law, or if Austrian law is stricter than the remuneration policy, the respective law shall prevail.

## 1.1 Objective

This policy shall provide for the implementation of:

### European Union (EU) regulations:

- Capital Requirements Regulation (**CRR**) - Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (see Annex 13 Ref 1)
- Commission Delegated Regulation – Regulation (EU) No 565/2017 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (see Annex 13 Ref 4)

### EU Directives:

- Capital Requirements Directives (**CRD IV**) - Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (see Annex 13 Ref 2)
- Markets in Financial Instruments Directive (**MiFID II**) - Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (see Annex 13 Ref 3)
- Undertakings for Collective Investment in Transferable Securities Directive 2014/91/EU (**UCITS V**) (see Annex 13 Ref 5)
- Alternative Investment Fund Managers Directive 2011/61/EU (**AIFMD**) (see Annex 13 Ref 6)

### EU regulatory technical standard

- 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 604/2014 in conjunction with correction EBA/RTS/2015/09 (see Annex 13 Ref 7)

### European Banking Authority (EBA) Guidelines

- on sound remuneration policies under article 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 (see Annex 13 Ref 8)

- on remuneration policies and practices related to the sale and provision of retail banking products and services, EBA/GL/2016/06 (see Annex 13 Ref 9)

#### **Opinions of the European Banking Authority**

- on the application of Directive 2013/36/EU (CRD IV) regarding the principles on remuneration policies of credit institutions and investment firms and the use of allowances, EBA-2014-Op-10 (see Annex 13 Ref 10)
- on the application of the principle of proportionality to the remuneration provisions in Directive 2013/36/EU, EBA-2016-Op-20 (see Annex 13 Ref 11)

#### **European Securities and Markets Authorities (ESMA) Guidelines**

- on remuneration policies and practices (MiFID), ESMA/2013/606 (see Annex 13 Ref 12)
- on sound remuneration policies under the UCITS Directive and AIFMD, ESMA/2016/411 (see Annex 13 Ref 13)

#### **Austrian legislation, in the current version**

- Bankwesengesetz (BWG) – Austrian Banking Act (see Annex 13 Ref 14)
- Wertpapieraufsichtsgesetz (WAG) – Austrian Securities Supervision Act (see Annex 13 Ref 15)
- Investmentfondsgesetz (InvFG) – Austrian Investment Funds Act (see Annex 13 Ref 16)
- Alternative Investment Fonds Gesetz (AIFMG) – Austrian Investmentfonds Manager Act (see Annex 13 Ref 18)
- Hypothekar- und Immobilienkreditgesetz (HIKrG) (see Annex 13 Ref 17)

#### **Austrian regulatory standards published by**

- Austrian Financial Market Authority
- Austrian National Bank

This policy is administered and approved by the Remuneration Committee of the Supervisory Board of Erste Group Bank AG (in the following: Remuneration Committee), which is a committee of the Supervisory Board of Erste Group Bank AG.

It is the responsibility of the individual subsidiary to assess their own complexity taking into account their internal organisation, type, volume and complexity of their business.

## **1.2 Scope**

This policy applies to all employees as defined in the application on page 2 (all employees), to Members of the Supervisory Board of Erste Group Bank AG and to members of subsidiaries' Supervisory Functions. Additional policy requirements to specific groups of employees are described in the annexes.

Subsidiaries that fall into the scope of CRR consolidation, but which are not themselves subject to CRD IV, must have remuneration policies that are consistent with the Holding remuneration policy for all staff and comply with the requirements of aforementioned regulations, directives, technical standards and guidelines at least for those identified staff whose professional activities have a material impact on the entity's risk profile.

Annex 4 regulates additional specifics for material risk takers (identified staff).

In Annex 9 remuneration guidelines for Members of the Supervisory Board are described and Annex 12 sets out additional policy guidelines for Erste Immobilien Kapitalanlagegesellschaft m.b.H. (EIKAG).

Refer to the current version of the “Procedure for the Pillar 3 Disclosure of the Remuneration Policy” (EG\_CEO\_C\_0002, see Annex 13 Ref 20) for details regarding the reporting processes, working instructions and responsibilities for producing the Pillar 3 Disclosure Report of the Remuneration Policy (Pillar 3 Report on Remuneration) of Erste Group, in order to fulfil the disclosure requirements set out in article 450 of the CRR.

### **1.3 Overview of Roles and Responsibilities**

The responsibilities of the Supervisory Function and the Remuneration Committee in respect of this policy are described in chapter 2.1. Group Human Resources is responsible for the design and execution of this policy.

Business functions are responsible for the design of variable remuneration schemes, commission based/retail incentive schemes in cooperation and in alignment with Group Human Resources and Compliance functions.

The determination of the bonus pool for Erste Holding is the responsibility of Group Human Resources and Group Strategy. The Holding Management Board approves the final bonus pool amount.

The Management Board determines role specific objectives, agrees complete individual performance scorecards with the members of the Remuneration Committee, defines the performance agreements with direct subordinates and evaluates performance of subordinates through multi-source feedback. Managers define the performance agreements with employees and evaluate these performance agreements. Group Risk Management and Group Strategy monitor the risk results and provide final performance assessment (through Group Human Resources). The process of setting performance objectives is facilitated by Group Human Resources.

Malus and claw-back decisions are taken on a case by case basis by the Management Board, Human Resources and Compliance. In particular cases the Remuneration Committee can also be involved.

The identification of employees who are material risk takers in Erste Holding is coordinated by Group Human Resources in cooperation with business, legal and risk management functions.

## 2. General rules

### 2.1 Governance of remuneration

The Holding Remuneration Committee adopts and periodically reviews the general principles of the remuneration policy, amends it if needed and is responsible for its implementation. The implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with legal requirements, regulatory provisions, policies and procedures for remuneration adopted by the institution.

The Management Board and the Remuneration, Audit, Nomination and the Risk Committees work closely together and ensure that the remuneration policy is consistent with and promotes sound and effective risk management.

#### 2.1.1 Supervisory Board

The Supervisory Board is responsible for adopting and maintaining the remuneration policy of the institution, and overseeing its implementation to ensure it is fully operating as intended.

The Supervisory Board may delegate responsibilities for remuneration-related topics to the Remuneration Committee. The Supervisory Board is kept fully informed of the activities the Remuneration Committee through formal reports, thereby providing it with an opportunity to have its views taken into account.

The Supervisory Board may, at any time, partially or fully withdraw the Remuneration Committee's responsibilities for remuneration-related topics.

The following topics remain the responsibility of the Supervisory Board and may not be delegated to the Remuneration Committee:

- Approval of the variable remuneration of the members of the Management Board.
- Approval of payments in relation to premature terminations of members of the Management Board.

#### 2.1.2 Remuneration Committee

As Erste Group Bank AG is significant institutions - in accordance with article 92(1), in conjunction with article 95(1) of the CRD - a Remuneration Committee is established.

Erste Holding Subsidiaries which are regulated by specific sectoral legislation (e.g. AIFMs or UCITS) should follow the rules set out in the specific sectoral legislation applying to them in order to determine whether or not they are required to establish a Remuneration Committee.

Where no Remuneration Committee is established, the requirements of this policy concerning the Remuneration Committee apply to the Supervisory Function (Supervisory Board, Advisory Board, etc.).

The Remuneration Committee should be composed of members of the Supervisory Function who do not perform executive functions in that institution. Members of the committee have collectively adequate knowledge, skills and experience with regard to remuneration policies and practices, risk management and control activities as well as of variable remuneration schemes and risks that can arise therefrom. This includes knowledge, skills and experience with regard to the mechanisms for aligning the remuneration structure to institutions' risk profiles and capital structure.

#### Authority of the Remuneration Committee

The Remuneration Committee operates under delegated authority from the Supervisory Function. The Remuneration Committee's chairperson reports to the Supervisory Function on the Remuneration Committee's proceedings after each meeting.

- 1) The Remuneration Committee is authorised to investigate and undertake any activity within the framework of its duties. The members are authorised to seek any information they properly require regarding any employee of the institution.
- 2) The Remuneration Committee is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend at meetings of the committee<sup>1</sup>. The cost of obtaining any advice or services shall be paid by the company within the limits as authorised by the Management Board.
- 3) The Remuneration Committee is authorised to seek advice from the Risk Committee where appropriate. The Remuneration Committee is authorised to invite the Chief Risk Officer to attend at least one Remuneration Committee meeting per year.

### **Intents of the Remuneration Committee**

- 1) The Remuneration Committee ensures the proper involvement of the independent control and other relevant functions (e.g. human resources, legal and strategic planning) within the respective areas of expertise and where necessary seek external advice.
- 2) The Remuneration Committee ensures that the institution's remuneration policies and practices are aligned with the institution's overall corporate governance framework, corporate culture, risk appetite and the related governance processes.
- 3) The Remuneration Committee ensures that an institution's remuneration policy is consistent with the risk appetite statement and promotes sound and effective risk management. The remuneration policy should not encourage excessive risk taking and should enable the institution to maintain a sound capital base.
- 4) The Remuneration Committee collaborates with other committees of the Supervisory Function whose activities may have an impact on the design and proper functioning of remuneration policies and practices (e.g. risk, audit and nomination committees).
- 5) The Remuneration Committee ensures that disclosure of remuneration, as set out by respective regulators or otherwise required by law, is fulfilled, if relevant.

### **Responsibilities of the Remuneration Committee**

The Remuneration Committee is responsible for advising on, approving and monitoring remuneration-related policies and remuneration-related topics if aligned with the Supervisory Function. The Remuneration Committee shall take into account the long-term interests of shareholders, investors and other stakeholders in Erste Group.

The Remuneration Committee holds meetings at least two times a year. The Group Remuneration Committee coordinates and aligns remuneration strategies and practices across Erste Group.

### **Remuneration Model and Policy Design**

The Remuneration Committee members are an active part of the design process of a remuneration strategy and remuneration model. Their tasks include:

- 1) Determining the remuneration strategy for top executive staff, material risk takers and heads of control functions.

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<sup>1</sup> The Remuneration Committee is autonomously responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee and/or respective Remuneration Committees.

- 2) Significant changes in the commission-based//retail incentive scheme are reported ex-ante and ex-post to the respective Remuneration Committee.
- 3) Approval of the (variable) remuneration model and practice for all employees (e.g. thresholds for the bonus pay-out, type of share linked instrument, balance between fixed and variable remuneration; KPI's of the Management Board).

### Overseeing the implementation

The Remuneration Committee is responsible to oversee the implementation of the Remuneration Policy to ensure it is fully operating as intended. This includes:

- 1) Agreeing on the performance objectives of the members of the Management Board.
- 2) Recommendation of the performance-related bonus amounts proposed for the members of the Management Board for the respective performance period.
- 3) The Remuneration Committee approves the minimum performance requirements of an institution to allow the pay-out of annual bonus and deferral payments.
- 4) The Remuneration Committee approves the guidelines and conditions related to the bonus pool.
- 5) The Remuneration Committee decides on variable payment until granting.

### Principal activities of the Remuneration Committee

The Remuneration Committee reviews this policy regularly, at least annually, and informs itself if regulatory changes are incorporated in the policy. The following key matters should be considered by the Remuneration Committee on an annual basis or as the need arises:

- 1) Review of (variable) remuneration of the heads of control functions and material risk takers.
- 2) Approval of claw-backs and the limitation on the pay-out for material risk takers and heads of control functions, if relevant and applicable.
- 3) Review of new variable remuneration schemes or significant changes in variable remuneration schemes.
- 4) Approval of the lists of employees identified as material risk takers.
- 5) Approval of documentation of an institution's argumentation of neutralisation.
- 6) Approval of any subsequent material exemptions made for individual staff members and changes to the remuneration policy, carefully considering and monitoring their effects.
- 7) Approval of notifications to the competent authorities, if required.

## 2.2 Remuneration

Remuneration consists of all forms of payments or benefits, monetary and non-monetary in exchange for professional services rendered by staff. All remuneration can be divided into either **fixed remuneration** (payments or benefits without consideration of any performance criteria) or **variable remuneration** (additional payments or benefits depending on performance or other contractual criteria). Both components of remuneration (fixed and variable) may include monetary payments or benefits (such as cash, phantom-shares, pension contributions, etc.).

Remuneration is either paid through fixed or variable components<sup>2</sup>.

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<sup>2</sup> There is no third category of remuneration.

## 2.3 General guidelines to fixed remuneration

### 2.3.1 Fixed remuneration

Remuneration is fixed where the conditions for its award and its amount:

- 1) are based on predetermined criteria;
- 2) are non-discretionary reflecting the level of professional experience;
- 3) are transparent with respect to the individual amount awarded to the individual staff member;
- 4) are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities;
- 5) is only changed through relevant policy change, via collective bargaining or following renegotiation in line with national legislation;
- 6) do not provide incentives for risk taking; and
- 7) do not depend on performance.

Each employee's fixed remuneration represents a sufficiently high proportion of the total remuneration to allow for financial independence of variable remuneration on an individual level, including the possibility to pay no variable remuneration component. The individual employee's proportion of fixed and variable remuneration does not promote extensive risk-taking.

The fixed remuneration, of the respective local institutions, focuses on the following topics. The fixed remuneration:

- Balances the responsibilities, knowledge, skills and experience required in job positions and of the employees (the market value of the job and the person);
- Supports the work environment in Erste Holding in terms of
  - a) performance (results achievement, feedback),
  - b) development (career, employability), and
  - c) core competencies (foster growth, act responsibly, be accountable, excel in execution, cooperate as a team); and
- Aims at being cost-competitive on the external market and has cost-flexibility components to follow organizational changes in the institution and supply and demand developments in the labour market.

Fixed and variable remuneration may consist of different elements, including ancillary allowances, payments or benefits. Respective institutions analyse the type of such ancillary compensation and benefits and allocate them to the fixed or variable component of remuneration. For more information please refer to Annex 1.

## 2.4 General guidelines to variable remuneration

### 2.4.1 Performance and long-term sustainability

Variable remuneration means all remuneration which is not fixed as set out in 2.3.1. The design of any variable remuneration policy, model and practice considers the guidelines as outlined in Annex 2.

In general, the remuneration policy and practices avoid making a direct link between remuneration and the sale of specific financial instruments/services and/or of a specific category of financial instruments/services. Further, the variable remuneration of employees depends on the assessment of the performance and development of the individual and of the business unit/entity concerned, combined with the overall performance, capital and liquidity

requirements of the entity. Business unit/entity and individual performance is measured by quantitative and qualitative objectives, including sustainability of an employee's efforts in the medium and long term.

Performance objectives and variable remuneration are in line with the strategic plans, Erste Group Bank AG's risk appetite statement, values, long-term interests, and regulatory restrictions<sup>3</sup>. Any (non-credit) institution follows the guidelines of its parent credit institution. A variable remuneration decision considers

- 1) the risk, capital, liquidity and the probability as well as the time of realised profits of the respective entity,
- 2) the performance of the consolidated and single entity,
- 3) the performance of the business unit (department/division/entity) concerned, and
- 4) the performance of the individual.

The variable remuneration is linked to sustainability and does not promote excessive risk-taking. A variable remuneration shall only be paid out to the extent the ratio between the fixed and variable remuneration remains reasonable; the ratio variable/fixed remuneration is capped at 100 % of the fixed remuneration for material risk takers and employees.

Failure shall never be rewarded. Therefore any binding commitments are avoided before all conditions for any component of variable remuneration are met.

In particular, variable remuneration must not be promised and has to relate to the performance in any particular performance period. As a rule, guaranteed variable remuneration is prohibited. The only exception is a sign-on bonus payment which can be paid out upfront in cash when hiring new staff. Such sign-on bonus payments are limited to the first year of employment provided that the credit institution has solid and adequate equity capital and cannot exceed the variable/fixed remuneration ratio of 100 %.

Employees and members of the management board do not decide about their own variable remuneration.

In general, variable remuneration is not pensionable.

Employees who are Members of the Supervisory Board and its committees cannot receive variable remuneration for their supervisory board function. Annex 9 provides guidelines on remuneration for the Members of the Supervisory Board.

## **2.4.2 Risk, capital and liquidity requirements**

Payment of variable components of remuneration as a whole may not limit the ability of Erste Holding and/or any of its companies in the meaning of section 39 paragraph 2b no. 1 to 10 of the Austrian Banking Act and article 18 CRR (see Annex 13 Ref 1) as approved by the European Parliament and the Council of the European Union to strengthen its capital and liquidity base. Further, variable remuneration decisions by the members of the Management Board give due consideration to the long-term interests of shareholders, investors and employees of the entity in having a functional banking industry and financial market stability.

## **2.4.3 Control functions**

Control functions include risk management, compliance, and internal audit.

The (variable) remuneration of the heads of control functions is reviewed by the Remuneration Committee. The business lines and/or teams that are overseen by the control function have no involvement in the decision making process that determines the compensation for the control functions. Control function compensation is not linked to the performance of the teams that they may oversee. The (variable) remuneration of all staff in control functions is determined independently from the performance of teams they may oversee. Staff in control functions is

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<sup>3</sup> According to the Article 141 of the CRD, combined capital buffer requirements can impact the bonus pool of the relevant entity; since the breach of combined buffer requirements limits the amount of variable remuneration pay-out to the amount of Maximum Distributable Amount. The breach of the combined capital buffer requirements shall not occur as a result of variable remuneration pay-out. For more details please refer to the Group Distribution Policy.

compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

#### **2.4.4 Relevant person(s) and tied agent(s)**

The variable remuneration model and practice for relevant persons)is to be approved by the Remuneration Committee after taking advice from the Compliance and Human Resources (HR) function. The HR function actively participates in the design of the incentive scheme. Any variable remuneration model and practice for relevant persons is to be at least compliant with the guidelines as set out in Annex 2.

Relevant person(s) are employees who can have a material impact on the service provided and/or corporate behaviour of the company, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services. Relevant persons are those employees working in the business units responsible for

- 1) equity brokerage and sales;
- 2) sales in Capital Markets;
- 3) Retail/Retail Collections/Corporate Sales;
- 4) Private Banking.

Relevant persons also include those persons working as tied agent for the bank and providing investment and/or ancillary services. The (variable) remuneration for tied agents is assessed according to the same criteria as for relevant persons.

#### **2.4.5 Variable remuneration schemes and determination of the bonus pool**

##### **Variable remuneration schemes**

There are several variable remuneration schemes. The implementation of any new variable remuneration scheme not described by this policy needs to be aligned with Group HR. The Compliance function and if necessary other control functions and business are involved as an advisor in the design of a new variable remuneration scheme. Any variable remuneration scheme is approved by the Management Body. All variable remuneration schemes need to relate to company, business line and individual results.

The following variable remuneration schemes can be applied within Erste Holding:

- Short-term annual bonus scheme (or shorter period based) bonus scheme based on the annual (period-based) performance evaluation of an employee;
- Commission-based/retail incentive: typically a monthly or quarterly incentive scheme based on quantity and quality of sales, products, services, transactions, operations and/or recoveries;
- Project-based bonus scheme: variable remuneration scheme based on special, highly complex and high-material impact projects;
- Retention bonus: Institutions may use retention bonuses under restructurings, in wind down or after a change of control, but also in situations where the institution can provide a rationale for its legitimate interest in retaining a relevant staff member;
- Awards: bonus which is based on an open participation for employees in a (cross-border) business line or function. Granting the award is based on practices that supported business growth or improvement and the outcome is translated into a learning event for other employees;

##### **Bonus pool – annual short-term variable remuneration scheme**

The determination of the total volume of funds earmarked for variable remuneration (bonus pool) takes into account, besides the percentage entitlement of individual employees, also the overall performance of the

respective company and the relevant risks that the respective company is exposed to. The determination of the bonus pool and pay-out from the bonus pool is subject to assessment of criteria related to performance and long-term sustainability. The bonus pool is created at the start of the performance period, and evaluated after the performance period year-end with regard to a combination of all criteria.

The bonus pool can be split into segments (e.g. bonus pool for board members, board-1, corporates and markets employees, other employees). Different criteria/indicators can apply to these segments although as a minimum the below mentioned criteria need to be applied.

The bonus pool is assessed according to at least the following criteria/indicators:

- 1) Financial results;
- 2) Capital adequacy ratio;
- 3) Fulfilment of the annual strategic indicators according to the strategy review and budget dialogues; and
- 4) Risk, capital, liquidity and the probability as well as the time of realised profit.

The assessment of these criteria leads to adjustments of the bonus pool (also known as a bonus pool multiplier). The ex-ante bonus pool is adjusted by the bonus pool multiplier, which can vary between 0% and 120%. A bonus pool multiplier below 100% is considered a "malus" based on the performance assessment in relation to the above mentioned criteria. Different bonus pool multipliers for different categories of staff may be applied.

#### **Bonus pool – annual short-term variable remuneration scheme area Group Markets<sup>4</sup>**

The bonus pool for the area Group Markets is calculated and accrued each year taking into consideration the following components:

- 1) the sum of current base salaries linked to bonus potentials for the area Group Markets in the countries,
- 2) the performance result of the Group Markets from a Group perspective and the local entity results considering (1) financial performance, (2) capital ratio conditions of the group and local entity, (3) risk, capital, liquidity and the probability as well as the time of realised profit.

The adjustments in the bonus pool depend for 80% on the area Group Markets and for 20% on the local entity results. The Holding Board can decide to adjust the bonus pool based on overall Erste Group results.

The bonus pool is created separately from the rest of the bank based on the information provided by Group HR/HR Corporates and Markets and Group Controlling in alignment with the Holding Board member for Corporates and Markets. Any actual deviation from the calculated accrual must be pre-discussed with Group HR/HR Corporates and Markets and signed off by the Holding Board member for Corporates and Markets.

#### **Bonus pool – commission-based incentive scheme**

The design of a commission-based incentive scheme follows the guidelines as stipulated in Annex 2. A commission-based incentive scheme is a monthly or quarterly incentive scheme based on sales, operations and/or recovery related targets measured by a proper mix of quantitative and qualitative objectives. The respective entity determines the appropriate bonus pool and bonus payment conditions. The commission-based incentive bonus pool is not directly affected by an institution based bonus pool multiplier as described above. The bonus pool is adjusted by the performance results (among others. financial results, risk-adjustments, quality indicators) of the business area.

#### **Bonus pool – other variable remuneration schemes**

Any other incentive scheme may be designed following the guidelines as stipulated in Annex 2. Group HR is informed about the incentive scheme and can provide advice on an incentive scheme. These incentive schemes

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<sup>4</sup> See Annex 7 for scope

are reported ex-ante and ex-post to and approved by the Remuneration Committee. An incentive scheme can be for a period up to one year or for a period longer than one year (a.k.a. long-term incentive scheme).

## 2.4.6 Bonus payments and claw-back

Regardless of the general principles of the civil- and labour law, the variable remuneration is awarded only if it is sustainable considering the financial situation of Erste Holding and justified according to the documented performance of the respective unit and the individual concerned. Otherwise, the variable remuneration shall not be awarded or it shall be awarded only in a limited amount (malus). Up to 100 % of the total variable remuneration shall be subject to malus or claw-back arrangements.

Claw-back and malus specifically apply in situations where the staff member:

- (i) participated in or was responsible for conduct which resulted in significant losses to the institution;
- (ii) failed to meet appropriate standards of fitness and propriety;

Further, variable remuneration shall be considerably contracted (“malus”) where subdued or negative financial performance of Erste Holding occurs due to criteria as described in 2.4.1. This assessment impacts both the current variable remuneration and reduction in pay-outs of bonus amounts previously earned. The variable remuneration of entities covered in this policy as described on page 2, can also be impacted by the financial performance and equity capital adequacy of the Erste Group. This impact is decided by the Holding Board.

When variable remuneration is paid in share-linked instruments (such as phantom shares) then the instruments remain with Erste Holding. The pay-out of the share-linked instrument is, after the expiry of the retention period, in cash. The pay-out of bonus with instruments is described in Annex 4.7.

In general, the variable remuneration pay-out is in cash. The variable remuneration shall not be paid through vehicles or methods that facilitate avoidance of the applicable legal requirements. Erste Holding and subsidiaries can claw-back any variable remuneration paid within the last five years; and can claim repayment from the employee if one of the following events occurs:

- 1) Fraud committed by the employee during performance period;
- 2) Misleading information provided by the employee, if such information had or could reasonably have had an impact on the performance assessment;
- 3) Evidence of misbehaviour or severe negligence by the employee (e.g. breach of code of conduct and other internal rules, especially concerning risks); or
- 4) The employee is dismissed by way of dismissal without notice period, according to the according to § 27 Salaried Employees Act<sup>5</sup> (in the valid constitutional edition).

The decision of the occurrence of such an event, the claw-back itself and the limitation on the pay-out is generally taken by the Management Board or the Remuneration Committee<sup>6</sup>.

Erste Holding and subsidiaries reserve the right to pay no variable remuneration at all. The payments of deferred variable remuneration of its current and former employees remain with Erste Holding. The Management Body is responsible for ensuring that payments of variable remuneration (upfront or deferred) are linked to sustainable profitability, the risk timeframe of performance and consider claw-back actions on the basis of a pretext subsequently proven to be erroneous.

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<sup>5</sup> In Austria: „Angestellengesetz“

<sup>6</sup> Depending on the severity of the case.

## 2.4.7 Non-monetary bonus

The conditions set out in this policy and in the remuneration practices also apply to non-monetary bonus or incentives (such as holiday trips, presents). Non-monetary as well as monetary bonus paid by third parties need to be reported to the Compliance function.

## 2.4.8 No rights before granting

Neither this policy, any other document related to this policy nor any variable remuneration under this or in connection with this policy shall entail any obligation of Erste Holding and subsidiaries. It shall not create any claim, right or entitlement of any employee to any variable remuneration, including without limitation (future) bonus payments, incentives, phantom stock plan or other instruments. Thus, until granting, it is in the full discretion of the Remuneration Committee to decide on payments.

Only if, for whatever reason, a court or another public authority comes to the conclusion that an employee has a right to variable remuneration under this policy or any document that relates to it before granting; Erste Holding reserves the right to unilaterally change this policy in whatever sense.

## 2.4.9 Other regulatory limitations

The Austrian Financial Market Authority or any European or national regulator can order a limitation or stop of variable remuneration. Thus, any decision on payment shall occur only under reservation of the obligation of Erste Group or Erste Holding to abstain from such payment if ordered by the national competent authority or European Central Bank.

## 2.5 Total Remuneration Strategy

Total remuneration is the sum of an employee's compensation package, including base salary, overtime payments, allowances, short term incentives as well as all monetary and non-monetary benefits. Erste Group's reward package consists of the four key elements listed in the table below.

The various components of remuneration serve different purposes. In general, the composition of the total remuneration package provides a means to attract, recognize and retain employees. The table below provides an overview of the means of the total remuneration package.

Remuneration element	Attract	Competence building	Performance	Retention	Physical/ social security
Base salary	X	X		X	X
Allowances		X		X	
Incentive Schemes			X		
Retention Bonus				X	
Benefits (monetary and non-monetary)	X			X	X

Table 1: Total remuneration package

### 2.5.1 Career bands and job grading

Job descriptions at Erste Holding provide a generic description of at least responsibility areas, activities, skills, knowledge and experience. The job grading methodology by WillisTowersWatson is used to determine the relative value of each job on a predetermined scale of measurement. The scale of measurement is determined by

the job grading methodology. Job grading is independent of any pre-conceived standards of remuneration (e.g. collective bargaining agreement) and disregards the qualities and performance of the actual job position holders (i.e. employees) who perform the job.

The job grading process starts with a finalized and agreed job description. The job description and job grading process is described in Annex 11. The job grading is performed by job grading specialists. Each job description and job grade is verified by a grading committee. The grading committee is chaired by a Holding Board Member and further consists of selected Board-1 managers from each board division. The Head of Group Compliance has the responsibility to monitor the job design and job grading approval process and make sure that there is a proper balance in job responsibilities, skills, competences, experiences within the overall institution and in specific between revenue/market driven functions and control functions.

The job grades are linked to the career bands of Erste Holding (see Annex 10).

## 2.5.2 Job grading and salary bands

At Erste Holding, a job grade is linked with a particular salary band. Each salary band provides for a preferred starting value and a preferred ceiling value (also known as a minimum respectively maximum value of a salary band). Each salary band can consist of more than one variant<sup>7</sup> based on external labour market conditions. Criteria for creating variants within a salary band are

- 1) Scarcity or surplus of available workforce with required skills, knowledge, experience in the market;
- 2) Expected future external labour market trends and organization design changes based on fit for the future<sup>8</sup> expectations;
- 3) Price of labour in the overall market. For most job positions the Austrian market is taken; for some job positions the reference is made with the international market.

A proper balance between the variants within a salary band is a key principle within Erste Holding; this supports the internal cross-functional mobility and career changes.

Therefore, internal remuneration balance<sup>9</sup>, which is the balance of fixed remuneration between individual employees across all jobs, is an important aspect in pay decisions. Internal remuneration balance is monitored on a business area level in combination with career bands structure (see Annex 10). Internal remuneration balance is also monitored from a diversity perspective.

A salary band is a range between a minimum and maximum value and consisting of four reference levels. These reference levels provide a framework for salary decisions during hiring, career changes, promotions, consistent stretched personal performance and development progress. These reference levels provide managerial support in keeping internal remuneration balance or getting towards a situation of internal remuneration balance. The reference levels are consistent with external salary market data (see also 2.5.3). The reference levels are not a qualification but are intended to provide an orientation. For example, a salary that is towards the maximum of the salary band means the competence, knowledge, experience and commitment in improving the functional business area (or department or job) of that person is very rare in the national or international labour market. A salary that is around the 25<sup>th</sup> percentile of the salary band means the competence, knowledge, experience and commitment of that person is more common and comparable with other colleagues in the institution and/or persons on the external labour market.

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<sup>7</sup> Variants are also known as job families. A job family groups jobs from one or more a functional areas (a.o. human resources, finance, asset liability management, compliance, legal, corporate risk)

<sup>8</sup> "Fit for the future" takes into account the gap between current and future skills, competencies, knowledge and experience as well as changes in organization design due to for example strategy, automation and standardisation, size and redistribution of labour.

<sup>9</sup> In HR terminology also referred to as "internal equity"

### 2.5.3 Salary benchmarks

Erste Holding regularly takes part in salary benchmarks. The external benchmark data is provided by external consultancy companies. External remuneration balance<sup>10</sup>, which is the balance of fixed remuneration and/or total remuneration in comparison to the external market, is an important aspect in decisions regarding agility in the various business areas (amongst others retail, operations, corporates and direct risk). Salary benchmark data can assist in verifying base pay compensation and total remuneration in the institution.

### 2.5.4 Salary components

The total regular base salary of a person can consist of several components. The total regular base salary is the sum of legal base salary, market, functional or leadership allowance and overtime allowance<sup>11</sup>.

**Standard pay (“Grundgehalt”):** The minimum legal base salary is based on pay level classifications in the collective bargaining agreement. These pay level classifications represent a legally binding minimum pay based on the agreed practice in the market within the specific industry. The legal base salary of the employee is at least the amount according to the minimum pay level classification in the collective bargaining agreement.

**Market allowance (“Marktwertzulage”):** The manager and HR Business Partner can decide to pay a market allowance to an employee. Employees in non-management job positions can be eligible for a market allowance. A market allowance can be used in various business situations. For example, external market pay pressures are considered to be temporary or organizational changes demand market-based adjustments. The market allowance can be consumed by the time-dependent gradation in the salary scheme. It may be consumed by any extraordinary salary adjustment. As a guideline the market allowance should be maximum 25 % of the total regular base salary.

**Job function allowance (“Funktionszulage”):** The manager and HR Business Partner can decide to pay a job function allowance to an employee. Employees in non-management job positions can be eligible for a job function allowance. A job function allowance can be used in various business situations. For example, external market pay pressures are considered to be temporary or organizational changes demand market-based adjustments in relation to a specific job function. A job function allowance is limited to the duration of the specific function. The function allowance can be consumed by the time-dependent gradation in the salary scheme. It may be consumed by any extraordinary salary adjustment. As a guideline the function allowance should be maximum 25 % of the total regular base salary.

**Leadership allowance (“Führungskräftezulage”):** The manager can decide to pay a leadership allowance to an employee. Employees in management job positions can be eligible for a leadership allowance. A leadership allowance can be used in various business situations. For example, an appointment in the management function is for a limited time period. A leadership allowance is limited to the duration of the management function. As a guideline the leadership allowance should be maximum 25 % of the total regular base salary.

**Overtime allowance (“Überstundenpauschale”):** Overtime allowance is an amount to be granted to employees, who are required to be flexible and available outside the regular working hours. It is in general standardized at a value of between 10 and 25 hours per month and is paid 12 times per annum. The number of hours included in the overtime has to be performed on a long term perspective; otherwise the overtime allowance must be revoked, since any eventual non-performance represents a lapse of preconditions for granting.

There are other types of allowances possible.

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<sup>10</sup> In HR terminology also referred to as “external equity”

<sup>11</sup> The details on fixed remuneration components can be found on the Erste Open Network.

**Other allowances:** The employee can receive other types of cash allowances. Examples of such allowances are: car allowance, child care allowance, expatriate allowance, housing allowance, school tuition allowance. All these allowances are bound to specific guidelines and rules.

**Overtime pay:** An employee can receive additional pay for overtime performed based on specific conditions as specified in a collective bargaining agreement. In general an employee with overtime allowance will not receive additional pay for overtime.

### 2.5.5 Salary adjustments

At the hiring date an employee receives a regular base salary. During the career of the employee this regular base salary can be adjusted. Adjustments of the regular base salary can be triggered by various events. Adjustments can mean a decrease or an increase of the regular base salary. Adjustments of the regular base salary are based on a complex and comprehensive evaluation of several (career) events. These events are

- 1) Past performance and personal development (competencies, experience, commitment) of the employee
- 2) "Future fit potential" of the employee. Evaluation of the employee's skills, knowledge, competence, experience, commitment for the current and future job requirements. The "future fit potential" is for example assessed at hiring into a new job position or at a change of the organization/department/team/job
- 3) Uniqueness of the combination of skills, knowledge, competence and experience of the employee compared to colleagues and external candidates
- 4) Current and proposed salary of the employee within the salary band
- 5) Salary developments in the market.

A merit increase is based on the decision by the company to adjust the base salary of the employee. A merit increase is subject to a multi-source approval and includes the involvement of the superior, indirect superior and HR Business Partner. The approval process can further involve the responsible Management Board Member or a matrix superior. Any merit increase proposal is made transparent in the management line of sight. The merit increase of a Board-1 employee is with the consent of all Members of the Management Board.

A salary decrease can only take place by mutual agreement and in compliance with statutory regulations. A salary decrease does not need the consent of the employee if salary components are revocable or limited to certain conditions.

The granting or revoking of allowances or overtime allowance (if legally possible) is based on a company decision and on the substantial change of conditions on which the overtime allowance has been granted. The granting or revoking of these base pay elements cannot be done without upfront informing the employee(s).

### 2.5.6 Fringe benefits

Fringe benefits are non-cash benefits provided by the company. Examples of fringe benefits are – but not limited to – a company car, house/apartment, insurances, holidays, school tuition days, language courses, pension contributions. The granting or revoking of fringe benefits is subject to specific guidelines and rules as specified in either a collective bargaining agreement, specific policy (e.g. mobility policy, car policy), or other agreement documentation.

## 2.6 General guidelines to performance objectives

### 2.6.1 Objectives setting

For the purpose of performance evaluation employees must receive objectives for a performance period. The objectives describe the expected results. The objectives are linked to the overall performance management process and guidelines of Erste Group.

Each objective is agreed between employee and superior. The objectives consist of an appropriate balance of quantitative and qualitative criteria. Objectives are to be influenced through decisions and work by the employee.

The evaluation of objectives is documented. The evaluation of objectives is always a dialogue between a superior (line and/or matrix) and employee. In addition, the evaluation process can include multi-source feedback.

### 2.6.2 Objectives for control staff

Employees engaged in internal control functions (risk management, compliance, internal audit) shall have objectives linked to their functions, independent of the performance of the business units they control.

### 2.6.3 Objectives for top executive staff

Objectives for the top executive staff are defined based on group guidelines as decided by the Holding Board based on advice by Group Controlling, Group HR and Group Risk Management. These group guidelines are approved by the Remuneration Committee of Erste Group. The financial and business (personal) objectives of top executive staff are agreed between the members of the Holding Board, members of the local Management Board and other top executive staff, and reviewed by the respective Remuneration Committees before the performance period starts.

### 2.6.4 Objectives for Division Corporates and Markets<sup>12</sup>

In division Corporates and Markets the objectives are set within the matrix business lines. In general, objectives are based on the overall objectives framework for the Erste Group.

The key performance indicators, objectives and the relationship with variable remuneration are defined by the division. The performance indicators for Producer Staff<sup>13</sup> and other employees have the appropriate mix between quantitative and qualitative objectives where the quantitative objectives have in total a maximum weight of 75 % of the scorecard. The performance indicators take into account elements such as quality, customer satisfaction, risk, compliance and sustainability.

The bonus potential for Producer Staff and other employees is defined according to local market practices and has to be signed off by Group HR and the responsible Business Partner.

After the performance period the employee's performance is assessed by the direct (and matrix) superior. If the employee's assessment is part of the multi-source feedback, this result is considered for the annual performance as well.

The same procedure applies when fixing the amount for annual performance bonus, which is subject to final sign-off by the Management Board (e.g. for material risk takers).

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<sup>12</sup> For scope see Annex 7

<sup>13</sup> A Producer Staff is an employee in the Division Group Corporates and Markets with direct revenue creation responsibilities (e.g. treasury, transactions, investments, trading, et cetera) and/or customer-related profit & loss responsibilities.

## 2.7 Guidelines for leavers

### 2.7.1 General provisions for good leavers

Good leavers can receive variable remuneration and/or pay-out of any deferred or retained bonus according to the general guidelines of the remuneration policy.

### 2.7.2 General provisions for bad leavers

No variable remuneration (neither upfront, nor deferred or retained) has to be paid to the following categories of employees ("bad leavers") after the end of their employment:

- 1) Employees who have unilaterally terminated their employment relationship with Erste Group;
- 2) Employees dismissed for fault if applicable legislation provides for a dismissal for fault;
- 3) Employees dismissed by way of dismissal without notice period if applicable legislation provides for such dismissal (§27 Salaried Law<sup>14</sup>).

### 2.7.3 Special leaver conditions

If any staff with a deferred bonus payment (material risk taker or other – for example employees in the division Corporates and Markets), other than bad leavers, has worked through a performance period and his employment relationship ends during or after expiry of this performance period, but before the end of the deferral period and the retention period, he will be treated pursuant to the same principles as in case of a continuing employment relationship with a company of Erste Group. If the employment relationship ends during the performance period, such employees will receive such a treatment on a pro-rata basis. However, in accordance with the non-binding character of this policy and any variable remuneration at Erste Group, this paragraph does not in itself grant individual rights to material risk takers or other staff with deferred bonus payments.

### 2.7.4 Severance pay

Severance payments must reflect performance achieved over time and must not reward failure or misconduct. Severance pay should not be awarded where a staff member resigns voluntarily<sup>15</sup>.

Where severance pay is awarded, the reasons for the severance payment, the appropriateness of the amount awarded and the criteria used to determine the amount, including that it is linked to the performance achieved over time and that it does not reward failure or misconduct, must be documented.

Severance payments may include redundancy remuneration for loss of office, and may be subject to a non-competition clause in the contract. In particular, in the following situations, additional payments made, because of the early termination of a contract, should be considered as severance payment:

- a. the institution terminates the contracts of staff because of a failure of the institution;
- b. the institution wants to terminate the contract following a material reduction of the institution's activities in which the staff member was active in or where business areas are acquired by other institutions without the option for staff to stay employed in the acquiring institution;
- c. the institution and a staff member agree on a settlement in case of a potential or actual labour dispute, to avoid a decision on a settlement by the courts.

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<sup>14</sup> In German: „Angestelltengesetz“

<sup>15</sup> Unless a severance payment is required by national labour law in such case.

Severance payments should be considered as variable remuneration. The following amounts of severance payments should not be taken into account for the purpose of the calculation of the ratio of fixed and variable remuneration and for the application of deferral and the pay out in instruments:

- 1) severance payments mandatory under national labour law, mandatory following a decision of a court
- 2) settlements made for the loss of office where they are subject to a non-competition clause ('gardening leave') in the contract and paid out in future periods up to the amount of the fixed remuneration which would have been paid for the non-competition period, if staff were still employed;
- 3) severance payments, not fulfilling the condition in point a. of this paragraph, where the institution has demonstrated to the competent authority the reasons and the appropriateness of the amount of the severance payment.

Regular remuneration payments related to the duration of a notice period are not considered as severance payments.

## **2.8 Pension benefits**

Pension benefits are to be aligned with the long term interests, business strategy, aims and values of the credit institution.

Pension contributions that are based on a legal provision (e.g. company agreement) are considered fix remuneration.

In Erste Holding discretionary pension benefits are not allowed as part of variable remuneration. A granted bonus can be paid in cash to an employee or paid into the employee's private pension fund.

### 3. Definitions

**Allocation:** Is the point of time when the Instruments are assigned upfront to the employee after each performance period or during the deferral period (yearly instalments on a pro rata basis depending on the length of the deferral period).

**Award:** The granting of variable remuneration for a specific accrual period, independently of the actual point in time where the awarded amount is paid.

**Allowance:** (non-)cash provided in regular intervals and/or for a specific purpose.

**Base Pay:** Is at least equal to the legal minimum pay based on the agreed practice in the market within the specific industry (a.k.a. "Schemagehalt/Schattengehalt") as defined in the applicable collective or company bargaining agreement.

**Bonus Potential:** Is the variable salary income an employee can receive based on the performance of the institute/company, of the business line and of the employee.

**Control Functions/Staff:** Staff in functions responsible for risk management, compliance and internal audit and similar functions (which for the avoidance of no doubt do not include work-out).

**Deferral Period:** A deferral period is a period of one to five years for which parts of the variable remuneration are withheld. The period begins with the initial upfront cash payment and/or upfront allocation on the variable component of remuneration for a specified performance year.

**Divisionalised Business:** Parts of Erste Group Bank AG where decision making on business as well as on people thus also on performance and variable compensation is centralized (for the scope of see Annex 7).

**Employee:** Any individual that has an employment or management contract with Erste Group Bank AG or one of its subsidiaries (as listed on page 2 of this policy) or branches, independent of such individual holding a management function (board member, managing director) or a non-management function who receives variable remuneration for a performance period.

**Erste Group:** "Erste Group" comprises Erste Group Bank AG with all subsidiaries (in Austria and abroad) and all Sparkassen (savings banks) in Austria. "Erste Group" is not a legal entity.

**Erste Holding (Holding):** Erste Group Bank AG, FN 33209m, Am Belvedere 1, 1100 Vienna; "Erste Group Bank AG" is the company name and therefore the legal designation for the holding company of Erste Group as an independent entity.

**Erste Holding Subsidiaries:** Subsidiaries in which Erste Group Bank AG, FN 33209m, Am Belvedere 1, 1100 Vienna; "Erste Group Bank AG" is a majority shareholder and which are within the scope of this policy. In this policy referred to as "Erste Group Bank AG Subsidiary" or explicitly mentioned as subsidiary.

**Fixed Remuneration:** Non-discretionary payments or benefits which do not depend on performance and do comply with the requirements as stipulated in Annex 1.

**Granting:** The variable remuneration for a specific performance period grant on the day the employee receives the last instalment, either in cash or allocated, of the variable remuneration for the specific performance period. All variable remuneration payments until granting are upfront payments to a bonus entitlement and depend on an assessment made by the Remuneration Committee before the last instalment becomes due.

**Internal Capital:** is common equity tier 1 ratio (Basel III fully loaded)

**Key Function Holders:** employees outside the Management Body whose positions give them significant influence over the direction of the credit institution.

**Management Board:** Management Body in its management function.

**Management Body:** Governing body/bodies of a credit institution, comprising the supervisory and the management functions, which has/have the ultimate decision-making authority and is/are empowered to set the institution's strategy, objectives and overall direction.

**Managerial Responsibility:** the responsibility for making strategic or other fundamental decisions on the business's activities or the control framework applied. These are job functions in career band F. See also Annex 10 for details on career bands.

**Material Business Unit:** a business unit which has had internal capital distributed to it in accordance with Article 73 of Directive 2013/36/EU that represents at least 2 % of the internal capital of Erste Group.

**Material Risk Taker (a.k.a. Identified Staff):** Those employees whose professional activities have a material impact on the overall risk profile of Erste Holding.

**Overall Responsibility:** see Managerial Responsibility.

**Performance Period:** A performance period is the period for which the performance of the employee is assessed. The aim of the assessment is to determine the personal achievement (e.g. by key performance indicators). If the employee is only partially active during the performance period only the active part is assessed.

**Producer Staff:** A producer staff is an employee in the division Group Corporates and Markets with direct revenue creation responsibilities (e.g. treasury, transactions, investments, trading, et cetera) and/or customer-related profit & loss responsibilities (see Annex 7).

**Relevant Person(s):** employees who can have a material impact on the service provided and/or corporate behaviour of the company, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services.

**Remuneration:** Consists of all forms of fixed and variable remuneration and includes payments made or benefits, monetary or non-monetary, awarded directly by or on behalf of institutions in exchange for professional services rendered by staff, carried interest payments<sup>16</sup>, and other payments made via methods and vehicles.

**Retention Bonus:** A variable remuneration that is offered as an incentive to keep a key employee in the organization during a particularly crucial business cycle, like a merger or acquisition, or in situations where the institution can provide a rationale for its legitimate interest in retaining a relevant staff member.

**Retention Period:** This is a period of at least one year that starts on the day the Instruments are allocated to the employee. The retention period may be extended by the Remuneration Committee.

**Senior Management:** Staff responsible for making strategic or other fundamental decisions on the business's activities or the control framework applied. These are job functions in career band F. See also Annex 10 for details on career bands.

**Significant Credit Institution:** An institution which is deemed complex according to an evaluation based on criteria as formulated in Annex 4.5.

**Short term variable remuneration scheme:** The short-term variable remuneration scheme describes the conditions for the annual bonus. These conditions are described in 2.4.

**Strategy Indicators:** The strategic priorities of the institute for the next 1-3 years. These strategic priorities can be linked to e.g. market position, customer orientation, financial performance, capital requirements, liquidity requirements, internal processes, employee engagement.

**Superior:** An individual who has the direct responsibility for an employee regarding hiring, performance consequences and termination.

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<sup>16</sup> within the meaning of Article 4(1)(d) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulation (EC) No 1060/2009 and (EU) No 1095/2010 (AIFMD)

Supervisory Board: Management Body in its supervisory function responsible for overseeing and monitoring decision-making by the management function.

Tied agent: A company sales person (or direct sales person) who promotes the products of his employer only, i.e. the company he or she is tied to.

Top Executive Staff: employees who are in the management board of Erste Group Bank AG, management board of respective local banks, board-1 level in Erste Group Bank AG, management board or managing directors of Erste Holding Subsidiaries.

Upfront payments: Payments which are not deferred

Variable Remuneration: Variable remuneration is all remuneration which is not fixed.

## 4. Abbreviations

Abbreviation	Description
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU
AIFMG	Alternative Investment Fonds Gesetz
ALM	Asset Liability Management
AMA	Advanced Measurement Approach method
BWG	Bankwesengesetz/Austrian Banking Act
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
EGI	Erste Group Immorent
EIKAG	Erste Immobilien Kapitalanlagegesellschaft m.b.H.
ELZ	Erfolgs- und leistungsabhängige Zahlung (performance related pay)
Erste Holding	Erste Group Bank AG
ESMA	European Securities and Markets Authority
EU	European Union
EUR	Euro currency
FMA	Austrian Financial Market Authority
HIKRG	Hypothekar- und Immobilienkreditgesetz
HR	Human Resources
InvFG	Investmentfondsgesetz
IRB	Internal Rating Based method
KAG	Kapitalanlagegesellschaft (Asset Management Company)
KPI	Key Performance Indicator
MiFID	Markets in Financial Instruments Directive
STI	Short-term incentive
UCITS	Undertakings for Collective Investment in Transferable Securities
WAG	Wertpapieraufsichtsgesetz

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## Annex 1 Guidelines for determining fix remuneration components

Refer to 2.3.1 for criteria that need to apply to fix remuneration components.

The following remuneration components (often a type of allowance or other ancillary compensation or benefits component, e.g. pension contributions) are also to be considered as fixed:

- 1) The allowance/ancillary benefit is tied to a role or organisational responsibility and awarded as long as no material changes happen regarding the responsibilities and authorities of the role so that in fact the staff would have a different role or organisational responsibility;
- 2) The amount does not depend on any other factors than fulfilling a certain role or having a certain organisational responsibility;
- 3) Any other staff member fulfilling the same role or having the same organisational responsibility and who is in a comparable situation could be entitled to a comparable allowance/ancillary benefit.
- 4) Remuneration paid to expatriated staff considering the cost of living in a different state, where all similar situations are treated in a consistent way;
- 5) Allowances/ancillary benefits used to increase the base salary in situations where employees work abroad and receive less remuneration than would be paid on the local employment market for this position where all of the following conditions are met:
  - a) the allowance is paid on a non-discriminatory basis to all employees in a similar situation;
  - b) the allowance is awarded because employees work temporarily abroad or in a different position with a remuneration level requiring adjustment from the contractual one to reflect pay levels in the relevant market;
  - c) the level of additional payments is based on predetermined criteria;
  - d) the duration of the allowance is tied to the duration of the situation referred to above;
- 6) One-time payments based on collective agreement or other mandatory regulations;
- 7) Other ancillary benefits based on collective agreement or other mandatory regulations (e.g. pension-fund contributions).

Included in the category of fixed remuneration are also remuneration components that are

- 1) either part of a general, institution-wide policy where they are awarded in a non-discretionary way to staff;  
or
- 2) do not depend on performance and do not pose incentive effects in terms of risk assumption, or payments based on legal obligations – that is mandatory under national law.

This includes payments which form part of routine employment packages, as mentioned by recital 64 of CRD, and which are solely linked to the family or personal situation like childcare, proportionate regular pension contributions on top of the mandatory regime, travel allowance, and health insurance.

In case of changes in the fixed salary during the calendar year, the total fixed remuneration is calculated on a monthly pro-rata basis for the calculation of the annual fixed salary.

Examples:

Fixed remuneration change in July:

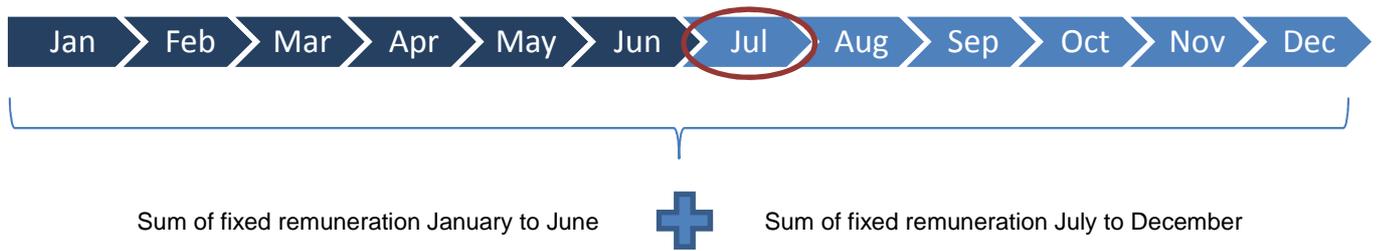


Figure 1: Example: changes in the fixed salary during the calendar year

## **Annex 2 Guidelines for the design of variable remuneration schemes**

Institutions should design variable remuneration schemes that take into account the rights and interests of consumers. In particular, institutions should ensure that monetary and/or non-monetary forms of variable remuneration do not introduce variable remuneration schemes whereby Board Members and employees favour their own interests, or the institution's interests, to the detriment of consumers.

### **Annex 2.1 Design**

The design of any variable remuneration scheme shall consider the following:

- 1) Institutions should avoid variable remuneration schemes whereby employees, in particular relevant persons, favour their own interests, or the institution's interests, to the detriment of the customer.
- 2) Institutions should consider whether the variable remuneration schemes introduce any risks of detriment to customer and should mitigate such risks from arising.
  - a. Institutions should consider factors such as the role performed by employees, the type of products offered, and the methods of distribution (e.g. advised or non-advised, face-to-face or through telecommunications, digital) in order to prevent potential conduct of business and conflict of interest risks from adversely affecting the interests of their customers.
  - b. Institutions should avoid variable remuneration schemes which promote specific products or categories of products over others if this can lead to a conflict of interests.
  - c. Institutions should avoid variable remuneration schemes which create a disproportionate return for marginal sales (e.g. through building in "accelerator" or kick in levels where crossing thresholds increases the proportion of bonus earned, or through paying incentives through retrospectively achieving specific targets).
  - d. Institutions should avoid variable remuneration schemes with excessively short timeframes (e.g. less than one month).
- 3) Institutions should ensure that the ratio between the fixed and variable remuneration components is appropriately balanced. The fixed portion is maintained sufficiently high in order to allow the variable part to decrease, and in cases to drop down to zero, and where the fixed remuneration allows for financial independence.
- 4) Institutions should consider both qualitative and quantitative criteria for determining the level of variable remuneration to ensure that the rights and interests of consumers are adequately considered.
- 5) Institutions should avoid variable remuneration schemes which solely link variable remuneration to a quantitative target.
- 6) Individual goals for employees in control functions should primarily reflect the performance of their own function and must not include marked based performance indicators to avoid conflicts of interest.
- 7) Institutions should avoid unnecessarily complex variable remuneration schemes and unclear combinations of different schemes.
- 8) Institutions should ensure transparency in all rewarding system communications and reporting phases that the final evaluation of employee's achievements will also be based on their compliant behaviour in respect of external and internal rules and regulations.

### **Annex 2.2 Documentation**

- 1) Institutions should document their variable remuneration schemes. This documentation should include, but is not limited to:

- a. the objectives of the variable remuneration scheme;
  - b. the relevant persons falling within the scope of the variable remuneration scheme;
  - c. how variable remuneration schemes have been implemented in practice, including in particular the criteria for variable remuneration.
- 2) Institutions should ensure that performance evaluation is documented.

### **Annex 2.3 Approval**

- 1) Any variable remuneration scheme (short term incentive scheme, commission-based/retail incentive scheme, non-monetary rewards, competitions, etc.) is designed with at least the involvement of the HR and Compliance functions.
- 2) The Remuneration Committee reviews ex-ante and ex-post new variable remuneration schemes or significant changes in existing variable remuneration schemes.

### **Annex 2.4 Monitoring**

- 1) Relevant business units, together with Human Resources and Compliance, should review, at least annually, their variable remuneration schemes to ensure compliance with the remuneration policy, local and EU legislation.
- 2) Where the review reveals that a variable remuneration scheme does not operate as intended<sup>17</sup>, the institution should take corrective actions.

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<sup>17</sup> Within the legal, regulatory and Group policy framework

### Annex 3 Variable remuneration schemes

The table below provides the general guidelines for eligibility to a variable remuneration scheme. An employee can be part of more than one variable remuneration scheme. The sum of the granted bonus amounts is not allowed to exceed the cap as formulated in 2.4.1.

Incentive scheme	Eligibility	Bonus pool guideline
Short-term variable remuneration scheme (a.k.a. ELZ <sup>18</sup> )	All employees	<ul style="list-style-type: none"> <li>• Bonus pool determined ex-ante and ex-post.</li> <li>• Bonus pool multiplier adjusts the bonus pool based on certain criteria/indicators.</li> </ul>
Commission-based incentive	Employees in sales or operations or recovery	<ul style="list-style-type: none"> <li>• Bonus pool determined ex-ante and amount for pay-out is adjusted monthly or quarterly based on business line and/or operational results.</li> </ul>
Project-based variable remuneration scheme	Based on participation in the project	<ul style="list-style-type: none"> <li>• Bonus pool determined ex-ante.</li> <li>• Bonus pool is adjusted based on project achievements.</li> </ul>
Retention bonus	All employees	<ul style="list-style-type: none"> <li>• Institutions may use retention bonuses under restructurings, in wind down or after a change of control, but also in situations where the institution can provide a rationale for its legitimate interest in retaining a staff member.</li> <li>• The amount of a retention bonus can neither be promised nor guaranteed and depends on meeting the risk, capital and liquidity requirements.</li> </ul>
Awards	Participant in Award plan	<ul style="list-style-type: none"> <li>• Maximum amount for awards is ex-ante determined.</li> <li>• Payment of awards is based on evaluation of contributions.</li> </ul>

Table 2: Overview of general guidelines per variable remuneration scheme

<sup>18</sup> ELZ= Erfolgs- und Leistungsorientierte Zahlung

## Annex 4 Special provisions applicable to material risk takers

This annex is in addition to the main body of this remuneration policy.

Material risk takers are those employees who have, by nature of their job position and professional activities, a material impact on the risk profile of a complex credit institution<sup>19</sup>. The granting and payment of bonus to material risk takers are subject to the guidelines as provided in this annex.

Employees identified as material risk takers according to the qualitative or quantitative selection criteria laid out in Annex 4.1, Annex 4.2 and Annex 4.3 receive their variable remuneration according to the bonus payment model described in Annex 4.7. No bonus is paid to these employees during the performance year.

Each institution performs an assessment to determine material risk takers annually. This assessment is done in cooperation between representatives from risk management, legal, compliance, business and HR. In general, Group HR is informed in the beginning of the year which employees are deemed material risk taker according to the selection criteria as described in Annex 4.1 and Annex 4.2. The documentation is provided by local HR to Group HR and includes documentation on neutralisation of the credit institution.

The documentation of the self-assessment should at least include the number of material risk takers including the number of staff identified for the first time, the job responsibilities and activities, the names or another unique identifier and the allocation within the institution of the material risk takers to business areas and a comparison with the results of the previous year's self-assessment. The lists of employees identified as material risk takers are approved by the respective Management Boards and the respective Remuneration Committees after alignment with Group HR. Group HR provides an overview of all material risk takers to the Remuneration Committee. The respective Management Boards are responsible for informing the individual person about their selection to the category of material risk taker.

### Annex 4.1 Qualitative selection criteria to determine staff as material risk taker

Employees shall be deemed to have a material impact on an institution's risk profile where any of the following criteria are met:

- 1) the employee is a member of the Management Body in its management function;
- 2) the employee is a member of the Supervisory Body in its supervisory function of a Significant Credit Institution<sup>20</sup>;
- 3) the employee is a member of the senior management;
- 4) the employee is responsible and accountable to the Management Body for the activities of the independent risk management function, compliance function or internal audit function;
- 5) the employee has overall responsibility for risk management within a business unit as defined in Article 142(1)(3) of Regulation (EU) No 575/2013<sup>21</sup> which has had internal capital distributed to it in accordance with Article 73 of Directive 2013/36/EU that represents at least 2 % of the internal capital of the Erste Group (a 'Material Business Unit');
- 6) the employee heads a material business unit;

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<sup>19</sup> Staff seconded in a third country to a subsidiary that is an institution or a branch who, would fall into the scope of material risk takers of that EU institution or branch, are material risk takers.

<sup>20</sup> See Annex 4.5

<sup>21</sup> In Erste Group „a business unit“ is viewed in the meaning of a legal entity.

- 7) the employee has managerial responsibility in one of the functions referred to in point (4) or in a material business unit and reports directly to an employee identified pursuant to point (4) or (5);
- 8) the employee has managerial responsibility in a material business unit and reports directly to the employee who heads that unit;
- 9) the employee heads a function responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy, information technology, or economic analysis;
- 10) the employee is responsible for, or is a member of, a committee responsible for the management of a risk category provided for in Articles 79 to 87 of Directive 2013/36/EU<sup>22</sup> other than credit risk and market risk;
- 11) with regard to credit risk exposures of a nominal amount per transaction which represents 0.5 % of the Erste Group Bank AG Common Equity Tier 1 capital and is at least EUR 5 million, the employee:
  - a) is responsible for initiating credit proposals, or structuring credit products, which can result in such credit risk exposures; or
  - b) has authority to take, approve or veto a decision on such credit risk exposures; or
  - c) is a member of a committee which has authority to take the decisions referred to in point (a) or (b);
- 12) in relation to an institution to which the derogation for small trading book business provided for in Article 94 of Regulation (EU) No 575/2013 does not apply, the employee:
  - a) has authority to take, approve or veto a decision on transactions on the trading book which in aggregate meet one of the following thresholds:
    - i. where the standardised approach is used, an own funds requirement for market risks which represents 0.5 % or more of the Erste Group Bank AG Common Equity Tier 1 capital; or
    - ii. where an internal model-based approach is approved for regulatory purposes, 5 % or more of the Erste Group Bank AG internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval); or
  - b) is a member of a committee which has authority to take decisions set out in point (a);
- 13) the employee has managerial responsibility for a group of employees who have individual authorities to commit the Erste Group Bank AG to transactions and either of the following conditions is met:
  - a) the sum of those authorities equals or exceeds a threshold set out in point 11(a), point 11(b) or point 12(a)(i);
  - b) where an internal model-based approach is approved for regulatory purposes those authorities amount to 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one- tailed confidence interval). Where the Erste Group does not calculate a

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<sup>22</sup> Risk categories are: credit and counterparty risk, residual risk, concentration risk, securitization risk, market risk, interest risk arising from non-trading book activities, operational risk, liquidity risk and risk of excessive leverage

value-at-risk at the level of that employee the value-at-risk limits of employees under the management of this employee shall be added up;

- 14) with regard to decisions to approve or veto the introduction of new products, the employee:
- a) has the authority to take such decisions; or
  - b) is a member of a committee which has authority to take such decisions;
- 15) the employee has managerial responsibility for an employee who meets one of the criteria set out in points (1) to (14).

## **Annex 4.2 Quantitative selection criteria to determine staff as material risk taker**

The following quantitative criteria apply next to the qualitative criteria to determine material risk takers.

Employees shall be deemed to have a material impact on the institution's risk profile where any of the following quantitative criteria are met:

- 16) the employee has been awarded total remuneration of EUR 500 000 or more in the preceding financial year;
- 17) the employee is within the 0,3 % of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year;
- 18) the employee was in the preceding financial year awarded total remuneration that is equal to or greater than the lowest total remuneration awarded in that financial year to a member of senior management or to a member of staff who or meets any of the criteria in points (1), (5), (6), (8), (11), (12), (13) or (14) of Annex 4.1.

## **Annex 4.3 Additional criteria for neutralisation of material risk taker**

A criterion set out in points 16 until 18 in Annex 4.2 shall not be deemed to be met where the Management Board of Erste Group Bank AG determines that the professional activities of the employee do not have a material impact on the Erste Group Bank AG's risk profile because the employee, or the category of staff to which the employee belongs:

- 1) only carries out professional activities and has authorities in a business unit which is not a material business unit; or
- 2) has no material impact on the risk profile of a material business unit through the professional activities carried out.

This second condition shall be assessed on the basis of objective criteria which take into account all relevant risk and performance indicators used by the entity to identify, manage and monitor risks in accordance with Article 74 of Directive 2013/36/EU and on the basis of the duties and authorities of the employee or category of staff and their impact on the entity risk profile when compared with the impact of the professional activities of employees identified by the criteria set out in Annex 4.1.

**Notification to the competent authority responsible for its prudential supervision**

Erste Holding is required to notify the competent (financial market) authority when an employee is deemed not to be a material risk taker. The functions Group Prudential Affairs and Group HR are responsible for the notification to the financial market authority. Group HR provides the relevant documentation. The Management Board and the Remuneration Committee approve this notification to the competent authority.

A notification to the competent authority is required when an employee is deemed to be excluded from the category of material risk taker based on

- 1) the criterion of point 16;
- 2) the criterion of point 17.

Further, a request for approval from the competent authority is required when the employee was awarded total remuneration over EUR 750 000 in the preceding financial year and the employee is proposed to be neutralised from the category of material risk taker. The local competent authority needs to inform the EBA when a total remuneration over EUR 1 000 000 is awarded.

The documentation provided to the competent authority shall include the assessment of objective criteria which take into account all relevant risk and performance indicators used by the entity to manage and monitor risks in accordance with Article 74 of Directive 2013/36/EU.

**Annex 4.4 Identification process documentation**

The following information should at least be included in the documentation of the self-assessment done regarding the identification of staff:

- 1) the rationale underlying the self-assessment and the scope of its application;
- 2) the approach used to assess the risks emerging from the institution's business strategy and activities, including in different geographical locations;
- 3) how persons working in institutions and other entities within the scope of consolidation, subsidiaries and branches, including such located in third countries, are assessed;
- 4) the role and responsibilities of the different corporate bodies and internal functions involved in the design, oversight, review and application of the self-assessment process; and
- 5) the identification outcome.

On an individual level, the following items should at least be recorded:

- 1) Name of Material Risk Taker
- 2) Function
- 3) Business Area
- 4) Is the person a MRT for the first time?
- 5) Applicable quantitative and/or qualitative selection criteria
- 6) Reason for neutralisation
- 7) Scope of neutralisation (full or partial neutralisation of ZZ 11 to 12 lit. a Annex to §39b BWG)

Erste Holding and Holding Subsidiaries shall keep records of the identification process and its results and should be able to demonstrate to their competent supervisory authority how staff members have been identified.

## **Annex 4.5 Neutralisation (explicit waivers) of specific guidelines/principle of proportionality**

Erste Group Bank AG is a complex institution and does not apply waivers on institute level.

Subsidiaries of Erste Holding can be neutralised from the specific policy guidelines applicable to material risk takers. This means for employees who are material risk takers in a neutralised subsidiary the policy guidelines under Annex 4.7 do not apply. The Management Board can decide that Annex 4.7 for one or more employees working in a neutralised subsidiary remain valid and applicable.

An institute can be neutralised by assessing what is proportional with a focus on the combination of all below mentioned criteria (size, internal organization and the nature, scope and complexity of the activities) and of possible other criteria (e.g. a business may well be small-scale but could still include complex risk-profiles because of the nature of its activities or the complexity of its products).

For a neutralisation of the institute a self-assessment based on the following criteria is required (for specific requirements refer to the latest Circular as published by the FMA:

- 1) Complexity due to size:
  - a) Size of the balance sheet,
  - b) Issuing negotiable instruments which are admitted to trading of regulated markets,
  - c) the institute is small in the international context and is not deemed by the regulator of systemic relevance for the national market,
  - d) Internal Capital of the institute related to Common Equity Tier 1 of Erste Group Bank AG,
  - e) Risk weighted assets are significantly high compared to the external peer group,
  - f) Number of branches and employees is relatively high compared to direct competitors and the institute has a large number of employees compared to direct competitors;
- 2) Complexity due to internal organization:
  - a) Legal structure (legal form of a joint stock company),
  - b) the authorization to use internal/advanced methods for the measurement of capital requirements
  - c) a multi-level internal organizational structure;
- 3) Complexity due to diversity in business models, industry presence:
  - a) typical investment- and major bank business (guarantee business, proprietary trading subject to § 1 Abs 1 Z 7 + 8 BWG,...),
  - b) non-banking business;
- 4) Complexity due to business products due to long-term obligations to other parties or very hybrid constructions;
- 5) Complexity due to high share of investment banking business, non-banking business or international business.

The self-assessment is made by the management board of the institution with support of internal or external legal expertise. The self-assessment is sent for approval to Group HR, the Holding Board and the Remuneration Committee. The criteria as formulated under Annex 4.1, Annex 4.2 and Annex 4.6 remain applicable; also for an institution which has been neutralised.

The effect of a neutralisation is that the bonus payment model as described in Annex 4.7 can be partially or fully waived.

## **Annex 4.6 Minimum profitability requirement for bonus payment**

The minimum profitability requirement is a criterion for paying a bonus for material risk takers for a performance period. The minimum profitability requirement is also a criterion for paying deferral elements of retained bonus amounts for material risk takers. It is based on at least two indicators, which both have to be met:

- 1) Financial results of the entity (core bank, excluding Group Markets); and
- 2) Capital ratio of the entity (e.g. capital adequacy, Common Equity Tier 1 ratio, Solvency ratio).

The Remuneration Committee approves the respective minimum profitability requirements of the respective entity.

## **Annex 4.7 Bonus payment model**

The bonus payment model for material risk takers is handled as follows: Minimum profitability requirements (see under Annex 4.6) are the condition for pay-out of any upfront and deferred variable remuneration.

### **Granted bonus amount – upfront payment and deferral**

The Remuneration Committee makes decisions regarding the thresholds for the bonus pay-out treatment.

The general guidelines for the bonus payment model are

- 1) The minimum amount for a bonus to be deferred is EUR 60 000.
  - a) The Remuneration Committee may decide to apply a lower minimum threshold;
  - b) A granted bonus amount below this threshold can be paid out in one cash payment;
  - c) A granted bonus of EUR 60 000 or more means
    - i. 60% of the variable remuneration can be paid out/allocated in the year following the performance period as an upfront payment/allocation;
    - ii. 40% of the variable remuneration is deferred in equal instalments during the deferral period. The deferral period is 5 years;
    - iii. 50% of both upfront payment and deferred payments have to be instruments. Erste Holding chooses the phantom stock plan as instrument. These components – upfront and deferred instruments – have to be held for a retention period;
- 2) When a bonus amount exceeds EUR 150 000 of the annual gross fixed remuneration a ratio of 40% upfront payment and 60 % deferral is applied. Still, 50% of all such payments have to be effected in instruments.
  - a) The Remuneration Committee may decide to apply a lower minimum threshold.

### **Retention period**

The Erste Holding use phantom shares as instrument. Phantom shares are never transmitted to the employee. Phantom shares remain with the institute. Phantom shares have a retention period.

The purpose of a retention period is to align the instruments with the longer term interests of Erste Group and is linked to a multi-year performance assessment. The retention period starts on the date of allocation and is for the period of at least one calendar year. Legal requirements of respective Financial Market Authorities can require

longer retention period. During the retention period; only the value of the allocated instrument might change. The allocation itself is not changed except for claw-back reasons.

### **Phantom share plan**

50% of any variable remuneration is affected in phantom shares. After the performance period the number of phantom shares to be allocated is calculated in the following way: 50% of the gross bonus amount is divided by the average weighted daily share price of Erste Group Bank AG shares during the performance period (year n). The result constitutes the total number of phantom shares.

The average weighted daily share price is calculated based on the official information by Datastream (Thomson Reuters Corp) and taken from the published data on the Vienna Stock Exchange (Wiener Börse).

After the retention period, the shares are converted into cash by multiplication with the average weighted daily share price of the year following performance period (year n+1) and paid in cash equivalent.

## **Annex 4.8 Guidelines for staffing and mobility**

The Remuneration Committee is informed about any career moves of a material risk taker. The Remuneration Committee makes a decision regarding the treatment of dealing with the performance assessment and bonus payment.

The following guidelines apply in case of staffing and career moves

- 1) An employee is a material risk taker during the performance period if the employee is determined as a material risk taker within Erste Group for a period of at least 3 months. Any granted bonus amount is paid according to the bonus payment model for material risk takers;
- 2) The payment of deferred bonus parts remains the responsibility of the entity the bonus amount was granted. In case a material risk taker makes a career move to another institute these deferred bonus parts are granted and paid according to bonus payment conditions applicable for material risk takers;
- 3) A material risk taker can receive a guaranteed bonus as a sign-on bonus paid out upfront in cash when hired as a new employee. Such sign-on bonus payments are limited to the first year of employment in the entity and are subject to the condition the institute has solid and sufficient equity capital;
- 4) If a material risk taker makes a career move to another entity within Erste Group and is also a material risk taker in that entity then the respective Remuneration Committee makes a decision on the applicable bonus payment model based on advice of Group HR.
- 5) If a material risk taker becomes an expatriate then the home country continues with the payment of variable remuneration as defined by the home country remuneration policy.

If a material risk taker leaves a job position and would in the new job position within the Erste Group not be recognized as a material risk taker then the respective Remuneration Committee takes the decision regarding the treatment of the objectives and bonus payment.

## **Annex 4.9 Personal hedging, interest and dividends**

A material risk taker is prohibited to use personal hedging strategies or agree on an insurance to transfer the downside risks of deferred and retained parts of the variable remuneration to another internal or external party.

Neither interest nor dividends will be paid out on deferred or retained parts of remuneration and no dividends will be paid on phantom shares.

## Annex 5 Example bonus payment model for material risk takers

The total variable remuneration amount for the performance year 2011 is equal to EUR 100 000,00.

60% = EUR 60 000,00 are paid out/allocated to the employee in 2012, thereof 50% paid in cash and 50% transferred into phantom shares (average weighted daily share price in 2011 is EUR 29,90 = 1 003,34 phantom shares), the phantom shares are retained during the retention period of one year, converted into cash at average weighted daily share price 2012 and paid out in 2013.

40% = EUR 40 000,00 are deferred in equal instalments during the deferral period of five years (2013 to 2017), thereof 50% paid out in cash at EUR 4 000,00 per year and 50% transferred into phantom shares (average weighted daily share price 2011 is EUR 29,90 = a total of 668,90 phantom shares and 133,78 phantom shares per year), whereas each portion of phantom shares is retained during the retention period of one year, converted into cash at average weighted daily share price of the respective prior year and paid out in 2014 to 2018.

Pay-out of cash parts:

2012: EUR	30 000,00
2013: EUR	4 000,00
2014: EUR	4 000,00
2015: EUR	4 000,00
2016: EUR	4 000,00
2017: EUR	4 000,00

Pay-out of non-cash instruments in cash (e.g. phantom shares):

2013: 1 003,34 phantom shares x EUR 30,40 (average weighted daily share price 2012) =	30 502,00
2014: 133,78 phantom shares x EUR 36,00 (average weighted daily share price 2013) =	4 816,00
2015: 133,78 phantom shares x EUR 33,00 (average weighted daily share price 2014) =	4 415,00
2016: 133,78 phantom shares x EUR 29,00 (average weighted daily share price 2015) =	3 880,00
2017: 133,78 phantom shares x EUR 25,00 (average weighted daily share price 2016) =	3 344,00
2018: 133,78 phantom shares x EUR 25,00 (average weighted daily share price 2017) =	3 344,00

## Annex 6 Bonus payment model in divisionalised business

Following the principles of sustainability, employee retention and risk awareness, the divisionalised business applies a special pay-out scheme. The bonus pay-out scheme incorporates a deferral component when the bonus amount exceeds EUR 15 000 (or equivalent in local currency gross). The deferral period depends on the amount (table: deferral period for bonus in divisionalised business) and is between one and four years. The deferral period is effected in the year following the performance period. In case an employee of the divisionalised business is a material risk taker, the policy guidelines for material risk takers apply (see Annex 4.7).

The Board Member and/or Board-1 of divisionalised business may decide based on sustainability and risk criteria that a deferred bonus is not paid out.

For higher amounts the following pay-out principles apply (values in EUR, T = performance year).

Amount	T+1	T+2	T+3
=< 15 000,00	One cash payment		
15 001,00 – < 150 000,00	75 %	25 %	
=> 150 000,00	50 %	25 %	25 %

Table 3: Deferral period for bonus in divisionalised business

In case an employee of the divisionalised business is a material risk taker, the policy guidelines for material risk takers apply (see Annex 4).

### Calculation examples

Examples	Bonus amount granted in period T	Range	Bonus pay-out		
			T+1	T+2	T+3
Example 1	EUR 12 000	<= EUR 15 000	EUR 12 000		
Example 2	EUR 90 000	EUR 15 001 – <= EUR 150 000	EUR 67 500	EUR 22 500	
Example 3	EUR 180 000	> EUR 150 000	EUR 90 000	EUR 45 000	EUR 45 000

Table 4: Example: deferral in divisionalised business

## Annex 7 Scope of Divisionalised Business

- 1) Group Markets
- 2) Erste Group Immorent (EGI)
- 3) Group Commercial Real Estate
- 4) Group Corporates
- 5) Group Research
- 6) Operating Office Corporates and Markets

## Annex 8 Overview roles and responsibilities

In the table below is provided a summary of the main roles and responsibilities of the functions involved in the remuneration process. The responsibilities of the Remuneration Committee in respect of this policy are described in chapter 2.1.2 and are not repeated in the table below.

Topic	Role	Responsibility
Design and execution of the local remuneration policy (1 and 2)	Group HR	<ul style="list-style-type: none"> <li>Provides advice to local HR and signs off on the GAP analysis before the local policy is submitted for local approval</li> </ul>
	Local HR	<ul style="list-style-type: none"> <li>Designs the local remuneration policy in cooperation with legal, risk, compliance and business</li> <li>Facilitates the execution of the policy</li> </ul>
	Management Board (entity)	<ul style="list-style-type: none"> <li>Approves and executes the remuneration policy</li> </ul>
Design of variable remuneration schemes, commission based/retail incentives schemes (Annex 2)	Business	<ul style="list-style-type: none"> <li>Designs variable remuneration schemes or commission based/retail incentive schemes in cooperation and alignment with the HR and Compliance functions</li> </ul>
Documentation regarding performance and long-term sustainability (2.4.1)	Group Risk Management and local Risk Management	<ul style="list-style-type: none"> <li>Determine the criteria for long-term sustainability in relation to risk, capital, liquidity and the time-span for realised profits</li> </ul>
	Group Strategy and local Strategy	<ul style="list-style-type: none"> <li>Determine the criteria for financial performance criteria of the Erste Group Bank AG, of Erste Holding subsidiaries and of local banks</li> </ul>
	Group HR and local HR	<ul style="list-style-type: none"> <li>Monitor that performance agreements are compliant with regulations and policy guidelines</li> </ul>
Determination of the bonus pool (2.4.5)	Local Controlling, local HR, local Risk Management	<ul style="list-style-type: none"> <li>Determine the guidelines for setting up the bonus pool(s)</li> <li>Inform Accounting about the bonus pool accrual</li> <li>Assess periodically the bonus pool criteria and inform Accounting about any changes in accrual</li> </ul>
	Management Board	<ul style="list-style-type: none"> <li>Approves the bonus pool guidelines and approves the final bonus pool amount that can be used for bonus payments</li> </ul>
Claw-back and malus (2.4.6)	Management Board, Human Resources and Compliance	<ul style="list-style-type: none"> <li>Decide on claw-back actions and the limitation on pay-out, if such cases occur</li> </ul>
Objectives (2.6)	Group Strategy	<ul style="list-style-type: none"> <li>Determines the financial objectives for the Board Members of the local banks</li> <li>Monitors the financial results and provide final performance assessment (through Group HR)</li> </ul>
	Group Risk	<ul style="list-style-type: none"> <li>Determines the risk objectives for the Board Members of the local banks</li> </ul>

Topic	Role	Responsibility
	Management	<ul style="list-style-type: none"> <li>• Monitors the risk results and provide final performance assessment (through Group HR)</li> </ul>
	Management Board	<ul style="list-style-type: none"> <li>• Determines role specific objectives</li> <li>• Agrees complete individual performance scorecard with the members of the Remuneration Committee</li> <li>• Defines the performance agreements with direct subordinates and evaluate these performance agreements</li> <li>• Evaluates performance of subordinates through multi-source feedback</li> </ul>
	Managers	<ul style="list-style-type: none"> <li>• Define the performance agreements with employees and evaluate these performance agreements</li> </ul>
	Group HR, local HR	<ul style="list-style-type: none"> <li>• Facilitate process of objectives and target setting</li> <li>• Facilitate multi-source feedback</li> </ul>
Severance pay (2.7.4)	Management Board and HR	<ul style="list-style-type: none"> <li>• Decide if and to what extent severance payments are granted</li> </ul>
Determine material risk takers (Annex 4)	Local HR, business, legal and risk management	<ul style="list-style-type: none"> <li>• Determine the employees who are material risk takers</li> <li>• Provide documentation to Group HR</li> <li>• Inform the local authority/regulator about the material risk takers, if required</li> <li>• Inform material risk takers about their status</li> </ul>
	Group HR	<ul style="list-style-type: none"> <li>• Advises entities and collect relevant data of material risk takers (institution, job position, selection criteria, bonus payment model, period)</li> <li>• Informs authorities/regulators about the material risk takers</li> </ul>

Table 5: Overview roles and responsibilities in the variable remuneration process

## Annex 9 Remuneration of Members of the Supervisory Board

The remuneration for Members of the Supervisory Board is always fixed. Members of the Supervisory Board do not receive a variable pay due to their Supervisory role.

The remuneration package consists of the following components

- 1) Fixed remuneration (based on role, annual and pro-rata);
- 2) Attendance fee (per meeting);
- 3) Reimbursement for travel expenses (based on local institutions guidelines and conditions); and
- 4) Directors and officers D&O/financial liability insurance benefit (for all members of the Supervisory Board, including representatives of the Employees' Council).

The following conditions apply to the remuneration of the Members of the Supervisory Board in respect to their function as a Supervisory Board Member:

- 1) Fixed remuneration is only for fix and appointed members of the Supervisory Board; invited members for individual Supervisory Committees or invited guests are excluded from receiving a fix remuneration;
- 2) Fixed annual remuneration is paid proportionally for the time period (calendar based) the respective Supervisory Board member exercised his/her mandate;
- 3) Attendance fee eligibility depends on the presence at the Supervisory Board and Committee meetings. The member needs to attend more than 50 % of the meetings to be eligible for the attendance fee pay-out. Pay-out of fixed remuneration and attendance fee at the end of the fiscal year.
- 4) Reimbursement of travel expenses according to Erste Group and/or local institution conditions
  - a) Hotels, taxi, train, car: based on existing agreements;
  - b) Continental flights: flat rate based on existing agreements;
  - c) Intercontinental flight travel: flat rate based on business class and based on tariff: home office/Erste Holding or Subsidiary)
- 5) Members who are nominated by the shareholder and being in employment relationship with Erste Group entities are not eligible for receiving Supervisory Board remuneration (this is also applicable to members delegated by the Employees' Council);
- 6) Fixed remuneration and attendance fee for Members of Employees' Council/Trade Union are paid into a Employee's Council fund (based on local institution guidelines);
- 7) No performance-related compensation paid, shares allocated, pension rights accrued;
- 8) Loans or other guarantees granted based on rules for (Supervisory) Board Members; and
- 9) No benefits upon termination of the service as a Member of the Supervisory Board are provided.

## Annex 10 Business areas and career bands

Business areas are relevant in the handling of various remuneration decisions and support a framework for analysing internal and external equity of pay (e.g. gender gap analysis, seniority and pay, fix/variable pay structure). The following business areas are applicable to credit and financial institutions part of the Erste Group:

- **Corporate support functions** – examples: audit, finance, accounting, IT, HR, legal, marketing, communications, procurement, operations, regulatory affairs
- **Risk functions** – examples: compliance, corporate risk, retail risk, workout, enterprise risk, operational risk
- **Retail** – examples: branch network, retail business development
- **Investment banking, Corporates and Trading** – examples: Trading, merchant banking, transaction banking, large corporates, real estate business
- **Other** – examples: physical security, internal services, restaurant and catering services

Career bands provide a non-hierarchical framework for the organization of job complexity and responsibility across all levels in an institution. Career bands

- 1) allow for a comparison of job complexity and responsibility across the Erste Group;
- 2) allow for a comparison of management and non-management jobs;

The following career bands are defined in the Erste Group.

Career band	Description
CB-F	<p>Responsible for global vision of the company</p> <p>Defines strategic positioning of the whole company</p> <p>Represents the company and sets the political direction ('appearance in the public')</p> <p>Responsible for the overall financial health of the company and business divisions results</p> <p>Defines and drives company culture</p>
CB-E	<p>Defines strategic positioning of the business area across the group or within a complex institution</p> <p>Strategic and operational responsibility for own business area/division</p> <p>Translates strategy into mid-term and/or operational goals</p> <p>Transmits company culture to the rest of the organization</p>
CB-D	<p>Defines positioning of the business or functional area across the group or within an institution</p> <p>Harmonizes different fields of expertise and incorporates contributions of different functional areas (cross-silo impact)</p> <p>Improves institution standards (policy, services, products, processes, data quality) and builds institution's capabilities within his/her functional area</p>
CB-C	<p>Develops and drives functional area topics from own field of expertise</p> <p>Builds-up and shares know-how and capabilities in functional area</p> <p>Responsible for development and enhancement of functional standards and expertise, and improvement of services, products, processes, data quality</p>
CB-B	<p>Contributes to the design, development and implementation of services, processes, methodologies, standards and data quality</p> <p>Builds-up and shares know-how and expertise in the team</p> <p>Responsible for service, process, product and data quality improvements</p>
CB-A	<p>Contributes to finding solutions and improvements in services, products and process activities</p> <p>Responsible for execution of operational assignments and proposes solutions to support the optimization of working processes and data quality</p>

Table 6: Career bands

## Annex 11 Job description and job grading process

The job description and job grading process consists of the following main activities and responsibilities.

Step	Activity Description	Responsible
1	New or update of job description	(In)direct superior and HR Business Partner
2	Approval of job description	Indirect Superior and HR Business Partner
3	Job grade proposal	Job grading officer
4	Job grade approval	Group Job Grading Committee
5	Communication of job description and job grade	Direct superior

Table 7: Process job description and job grading

## Annex 12 Erste Immobilien Kapitalanlagegesellschaft m.b.H.

### Annex 12.1 Preamble and legal basis

This annex is in addition to the guidelines in this policy and applies to EIKAG - Erste Immobilien Kapitalanlagegesellschaft m.b.H. (Austria) and sets out the additional principles of remuneration within EIKAG to the remuneration policy of Erste Holding, as stipulated by the Alternative Investment Fund Managers Directive (AIFMD).

In case principles of remuneration stipulated by the AIFMD are not compatible with the relevant principle stipulated by the Policy, the principles laid out in this annex shall prevail. EIKAG, being an asset management company significantly engaged in the management of Alternative Investment Funds (AIFs) according to Real Estate Investment Fund Code (Immobilien-Investmentfonds Gesetz), is, beside those already referred to within this policy, subject to the following regulations:

- 1) Article 11 and Annex 2 to Article 11 of Austrian Alternative Investment Fund Managers Act (implementation of AIFMD)
- 2) ESMA Guidelines on sound of remuneration policies under AIFMD (ESMA/2013/232) of July 2013 – “ESMA GL AIFM Remuneration”
- 3) ESMA Guidelines on remuneration policies and practices (MiFID) of 11. June 2013 (ESMA/2013/606) – “ESMA GL Remuneration MiFID”
- 4) FMA Circular in connection with problems concerning conflicts of interests of certain remuneration systems involving the ESMA GL Remuneration MiFID of April 2014 – “FMA Circular conflicts of interests”
- 5) Article 13 and Annex 2 of Alternative Investment Fund Managers Directive – “AIFMD”

EIKAG has established its own Remuneration Committee whose role and composition is described in Annex 12.3.1.

Additional disclosure requirements apply to EIKAG according to to Article 20 para 2 AIFMD, which is reflected in Annex 12.4.2.

In addition to the criteria for the identification of material risk takers set out in Annex 4.1, Annex 4.2 and Annex 4.3 of this policy, the criteria in Annex 12.4 apply as well.

For EIKAG the bonus pool is assessed according to EIKAG specific criteria which are outlined in Annex 12.5 and are applied instead of the criteria listed in 2.4.5. section "Bonus pool – annual short-term incentive scheme".

This annex describes the bonus payment model for EIKAG which replaces the bonus payment model described in Annex 4.7.

## **Annex 12.2 General rules**

### **Supervisory regulations**

Due to the fact that EIKAG is authorized for individual management of single portfolios (according to Article 4 para 4 no 1 and no 2 a-b AIFMD), EIKAG has to apply requirements laid out in the FMA Circular conflicts of interests. Moreover, EIKAG has to comply with the principles of the ESMA GL Remuneration MiFID.

## **Annex 12.3 Governance**

### **Annex 12.3.1 Remuneration committee<sup>23</sup>**

EIKAG has established a remuneration committee within their supervisory board. The remuneration committee's role and composition is in compliance with the ESMA GL AIFM Remuneration and the Austrian Banking Act and is fulfilling the tasks mentioned in the AIFMD, the Austrian Banking Act and the ESMA GL AIFM Remuneration: in addition to the responsibilities set out in 2.1.2, the EIKAG remuneration committee is responsible to ensure that it devotes specific attention to the assessment of the remuneration mechanisms adopted to ensure that the overall remuneration policy is consistent with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages and the investors of such AIFs, and the remuneration system takes into account all types of risks and liquidity EIKAG and the assets under management<sup>24</sup>;

The responsibility of setting the remuneration of the directors rests with the supervisory board. Furthermore, the implementation of the remuneration policy is subject to an annual independent review by an Internal Audit in order to verify compliance with the policies and procedures for remuneration adopted by the supervisory board (Annex 2 no 1 lit d to Article 11 AIFMD).

### **Annex 12.3.2 Disclosure of information<sup>25</sup>**

EIKAG will disclose the following information on remuneration policies and practices (within the annual report or in a separate document):

- 1) the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff and number of beneficiaries and, where relevant, carried interest paid by the AIF; at the moment, no carried interest is paid to the staff;
- 2) the aggregate amount of remuneration broken down to senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.

## **Annex 12.4 Identification of Material Risk Takers<sup>26</sup>**

For the application of the specific remuneration principles, EIKAG has defined its material risk takers as follows:

- 1) All members of the supervisory board and of the management board;
- 2) All other management functions;

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<sup>23</sup> Annex 2 no 3 to Article 11 AIFMD

<sup>24</sup> See point 62 ESMA GL AIFM Remuneration

<sup>25</sup> According to Article 20 para 2 AIFMD

<sup>26</sup> According to Article 11 para 1 AIFMD

- 3) All employees in EIKAG Control functions, regardless of the actual amount of variable remuneration received or the person's actual impact on the entity's/AIF's risk profile;
- 4) All employees within Investment Management (all fund managers and all transaction managers), regardless of the actual amount of variable remuneration received or the person's actual impact on the entity's/AIF's risk profile;

## **Annex 12.5 Application of the general remuneration principles EIKAG**

### **General Rules**

The general (additional) remuneration rules are applicable to all employees of EIKAG, including material risk takers.

#### *Avoidance of conflicts of interest<sup>27</sup>*

Annex 11 to the remuneration policy is in line with the business strategies, objectives, values and interests of EIKAG and the AIF managed as well as the investors of their AIFs, and includes measures to avoid conflicts of interest. Hence the management board of EIKAG ensures that the remuneration principles and processes are designed in a way that all employees' decisions are in line with the best interests of the investors. This will be guaranteed by, among other things, the use of risk adjusted performance indicators which consider qualitative criteria as well (e.g. compliance breaches, violation of limits).

#### **Criteria used for defining remuneration**

For all material risk takers the specific variable remuneration payment model of this Policy applies as described below<sup>28</sup>. Payment of variable remuneration is in units or shares of the AIF (Article 13 AIFMD respective Annex 2 no 1 lit m to Article 11 AIFMD).

Due to legal and/or contractual restriction shares in AIFs set up as special funds ("*Spezialfonds*") are not used in the pay-out process. A substantial portion, and in any event at least 50 % of any variable remuneration will consist of shares of the AIF concerned, unless the management of AIFs accounts for less than 50 % of the total portfolio managed by EIKAG, in which case the minimum of 50 % does not apply. To avoid a misalignment of interests which arise in relation to material risk takers that is not directly involved in portfolio management and in line with Art. 12 para 1 AIFMD (Art. 14 para 1 AIFMD) the requirement to pay out in units or shares of the AIF does not apply to employees which are not directly involved in fund or portfolio management<sup>29</sup>.

The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

#### *Risk adjusted performance measurement*

##### 1) Quantitative Criteria (Knock-in)

To be entitled to receive variable remuneration the following criteria have to be met

- a) the performance of EIKAG,
- b) the performance of the funds,
- c) adherence to risk limits,

##### 2) Qualitative Criteria (Knock-out)

<sup>27</sup> According to Annex 2 no 1 lit b to Article 11 AIFMD

<sup>28</sup> The Holding deferral model does not apply to EIK.

<sup>29</sup> See marginal note 132 und 133 of the ESMA GL AIFM Remuneration

The qualitative criteria serve as knock-out criteria, which means that an employee who otherwise would have been entitled to receive variable remuneration by having met the knock-in criteria, will lose at least part of the bonus if any of the below mentioned principles are violated:

- a) Each direct attributable active violation of any fund limit – no matter whether profit or loss causes a bonus cut (depending on how severe the violation is);
- b) Each violation of a compliance rule causes bonus cut (depending on how severe the violation is);
- c) the performance of the individual.

The relevant figures are monitored by the Risk Management Division on an ongoing basis and reported to the Head of Investment Management Division. Additionally, a report is generated by Risk Management for the annual employee appraisal interviews within the Investment Management Division.

Each fund manager's performance relating to knock-in and knock-out criteria is overseen by a committee which consists of Risk Management, HR, Finance and Compliance and is reported to the executive board and the remuneration committee. This report also includes a general review of both the general implementation of the principles laid out in this policy as well as bonus payments to members of material risk takers including control functions. EIKAG have to report yearly on their respective review of the implementation and adherence to remuneration requirements specified in this Policy.

Furthermore this report will contain information on payment of variable remuneration and all information required for disclosure<sup>30</sup>. The remuneration committee will amend it with information required to enable Erste Group Bank AG to carry out its Governance Function. EIKAG remuneration committee will provide this report yearly to the remuneration committee of Erste Group Bank AG.

#### *Remuneration in cases of subdued or negative financial performance<sup>31</sup>*

Variable Remuneration, including the deferred portion, is paid or vested only if it is sustainable according to the financial situation of EIKAG, and justified according to the performance of the business unit, the AIF and the individual concerned. Usually, a subdued or negative financial performance of EIKAG or of the AIF concerned leads to a significant reduction of the entire variable remuneration EIKAG. Thereby, capital requirements shall be given priority over any possible payment of variable remuneration.

#### *Rules against circumvention<sup>32</sup>*

Variable remuneration is not paid through instruments or methods that facilitate the avoidance of the requirements of the remuneration policy at hand. The adherence to this requirement is also part of the annual review conducted by the remuneration committee.

#### *Multi-year framework for assessment of performance<sup>33</sup>*

The assessment of the performance is set in a multi-year framework appropriate to the life-cycle of the AIFs managed by EIKAG in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs it manages and their investment risk. This alignment is part of the annual appraisal interview with fund managers and, thus, part of the leadership task of each team leader within the Investment Management Division.

#### *Deferral period<sup>34</sup>*

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<sup>30</sup> According to Article 20 of the AIFMD

<sup>31</sup> According to Annex 2 no 1 lit o to Article 11 AIFMD

<sup>32</sup> According to Annex 2 no 1 lit r to Article 11 AIFMD

<sup>33</sup> According to Annex 2 no 1 lit h to Article 11 AIFMD

<sup>34</sup> According to Annex 2 no 1 lit n to Article AIFMD

The minimum amount for a bonus to be deferred is EUR 30 000,00. 40 % of the variable remuneration component is deferred in equal instalments over a period of 3 years. Thus, 60% of the variable remuneration is paid out in the year following the Performance Period as an upfront payment, unless the amount of the overall bonus exceeds EUR 150 000,00 or 100 % of fixed annual salary<sup>35</sup>. In this case, 60 % of the variable remuneration component is deferred.

Due to the fact, that under the AIFMD the payment of variable remuneration in shares of the AIF is mandatory to every variable remuneration no. 11 of the Annex to Art. 39b BWG (payment in instruments) will not be neutralised. After disbursement of variable remuneration in shares of the AIF the requirement for a retention period pursuant to marginal notes 137ff, page 29, ESMA GL AIFM Remuneration will be applied. Therefore, employees are not allowed to sell shares in AIF received during the retention period which is set in a time frame of one to three years (in specific cases the holding period could be longer) for risk takers, which receive variable remuneration in shares of AIF. In this time frame a longer retention period will apply for staff with the most material impact on the risk profile of the AIFM and the AIFs it manages.

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<sup>35</sup> See FMA Rundschreiben Grundsätze der Vergütungspolitik und -praktiken S. 21 Rz 64

## Annex 13 Related Documents

Ref	Document (name/title)	Link or Detail
1	Capital Requirements Regulation ( <b>CRR</b> ) - Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0575">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0575</a>
2	Capital Requirements Directives ( <b>CRD IV</b> ) - Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0036">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0036</a>
3	Markets in Financial Instruments Directive ( <b>MiFID II</b> ) - Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0065">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0065</a>
4	<b>Commission Delegated Regulation</b> (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0565&amp;from=EN">http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0565&amp;from=EN</a>
5	Undertakings for Collective Investment in Transferable Securities Directive 2014/91/EU ( <b>UCITS V</b> )	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0091">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0091</a>
6	Alternative Investment Fund Managers Directive 2011/61/EU ( <b>AIFMD</b> )	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32011L0061">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32011L0061</a>
7	EU <b>regulatory technical standard</b> 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 604/2014 in conjunction with correction EBA/RTS/2015/09	<a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0604">http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0604</a>
8	European Banking Authority ( <b>EBA</b> ) <b>Guidelines</b> on sound remuneration policies under article 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	<a href="https://www.eba.europa.eu/documents/10180/1314839/EBA-GL-2015-22+Guidelines+on+Sound+Remuneration+Policies_EN.pdf">https://www.eba.europa.eu/documents/10180/1314839/EBA-GL-2015-22+Guidelines+on+Sound+Remuneration+Policies_EN.pdf</a>
9	European Banking Authority ( <b>EBA</b> ) <b>Guidelines</b> on remuneration policies and practices related to the sale and provision of retail banking products and services, EBA/GL/2016/06	<a href="https://www.eba.europa.eu/documents/10180/1693444/Guidelines+on+sales+staff+remuneration+(EBA-GL-2016-06)_EN.pdf/000c55c6-cbe4-4904-b43d-2ca9294b6cd6">https://www.eba.europa.eu/documents/10180/1693444/Guidelines+on+sales+staff+remuneration+(EBA-GL-2016-06)_EN.pdf/000c55c6-cbe4-4904-b43d-2ca9294b6cd6</a>
10	<b>Opinions</b> of the European Banking Authority on the application of Directive 2013/36/EU (CRD IV) regarding the principles on remuneration policies of credit institutions and investment firms and the use of allowances, EBA-2014-Op-10	<a href="https://www.eba.europa.eu/documents/10180/657547/EBA-Op-2014-10+Opinion+on+remuneration+and+allowances.pdf">https://www.eba.europa.eu/documents/10180/657547/EBA-Op-2014-10+Opinion+on+remuneration+and+allowances.pdf</a>

Ref	Document (name/title)	Link or Detail
11	<b>Opinions</b> of the European Banking Authority on the application of the principle of proportionality to the remuneration provisions in Directive 2013/36/EU, EBA-2016-Op-20	<a href="https://www.eba.europa.eu/documents/10180/1667706/EBA+Opinion+on+the+application+of+the+principle+of+proportionality+to+the+remuneration+provisions+in+Dir+2013+36+EU+(EBA-2016-Op-20).pdf">https://www.eba.europa.eu/documents/10180/1667706/EBA+Opinion+on+the+application+of+the+principle+of+proportionality+to+the+remuneration+provisions+in+Dir+2013+36+EU+(EBA-2016-Op-20).pdf</a>
12	European Securities and Markets Authorities ( <b>ESMA</b> ) <b>Guidelines</b> on remuneration policies and practices (MiFID), ESMA/2013/606	<a href="https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-606_en.pdf">https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-606_en.pdf</a>
13	European Securities and Markets Authorities ( <b>ESMA</b> ) <b>Guidelines</b> on sound remuneration policies under the UCITS Directive and AIFMD, ESMA/2016/411	<a href="https://www.esma.europa.eu/sites/default/files/library/2016-411_final_report_on_guidelines_on_sound_remuneration_policies_under_the_ucits_directive_and_aifmd.pdf">https://www.esma.europa.eu/sites/default/files/library/2016-411_final_report_on_guidelines_on_sound_remuneration_policies_under_the_ucits_directive_and_aifmd.pdf</a>
14	<b>Bankwesengesetz (BWG)</b> - Austrian Banking Act	<a href="https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=10004827">https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=10004827</a>
15	<b>Wertpapieraufsichtsgesetz (WAG)</b> 2007 - Securities Supervision Act	<a href="https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20005401">https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20005401</a>
16	<b>Investmentfondsgesetz (InvFG)</b> 2011 - Investment Funds Act	<a href="https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20007389">https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20007389</a>
17	<b>Hypothekar- und Immobilienkreditgesetz</b> – Austrian Hypothecary and Property Credit Act	<a href="https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20009367&amp;FassungVom=2016-03-22">https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20009367&amp;FassungVom=2016-03-22</a>
18	<b>Alternative Investment Fonds Gesetz (AIFMG)</b> - Austrian Investmentfonds Manager Act	<a href="https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20008521">https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&amp;Gesetzesnummer=20008521</a>
19	<b>Group Remuneration Policy (EG_CEO_A_0001) V7.0</b>	<a href="https://intranet.ersteopen.net/Portal.Node/portal/resources/Business/SF_POLICIES/9999_Group_Policies_and_Procedures/Central_Functions/Human_Resources/Group_Remuneration_Policy_%28EG_CEO_A_0001%29_v7.0.pdf">https://intranet.ersteopen.net/Portal.Node/portal/resources/Business/SF_POLICIES/9999_Group_Policies_and_Procedures/Central_Functions/Human_Resources/Group_Remuneration_Policy_%28EG_CEO_A_0001%29_v7.0.pdf</a>
20	<b>Group Policy Framework Policy V4.1</b>	<a href="https://intranet.ersteopen.net/Portal.Node/groups/Business/SF_POLICIES/9999_Group_Policies_and_Procedures/Central_Functions/Group_Secretariat/Group-Policy-Framework-Guideline.en.html">https://intranet.ersteopen.net/Portal.Node/groups/Business/SF_POLICIES/9999_Group_Policies_and_Procedures/Central_Functions/Group_Secretariat/Group-Policy-Framework-Guideline.en.html</a>

21	<b>Procedure for the Pillar 3 Disclosure of the Remuneration Policy</b>	To be referenced after publication
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*Table 8: Related Documents*

## Annex 14 Change Log

Version History	Approval Date	Section(s)	Changes	Author(s)	Approved by
V 2.0	2012-09-19	All sections	<ul style="list-style-type: none"> <li>•Section 2: update of general rules</li> <li>•Section 3: update of general guidelines to objectives and targets</li> <li>•Annex: Guidelines material risk takers</li> </ul>	Michiel van den Berg	The Remuneration Committee of Erste Group Bank AG
V 3.0	4.9.2013	All sections	<ul style="list-style-type: none"> <li>•Section 2: update of general rules</li> <li>•Section 3: update of general guidelines to objectives and targets</li> <li>•Annex: Guidelines material risk takers</li> </ul>	Michiel van den Berg	The Remuneration Committee of Erste Group Bank AG
V 4.0	10.12.2014	All sections	<ul style="list-style-type: none"> <li>•Responsibilities of the Remuneration Committee</li> <li>•Guidelines bonus pool</li> <li>•Guidelines long-term sustainability</li> <li>•Guidelines objectives and target setting</li> <li>•Guidelines claw-back and malus</li> <li>•Guidelines material risk takers</li> <li>•Extension of guidelines for Erste Asset Management (annex 8)</li> </ul>	Michiel van den Berg	The Remuneration Committee of Erste Group Bank AG
V 5.0	16.09.2015	Entire policy	<ul style="list-style-type: none"> <li>• Inclusion of base pay policy guidelines</li> <li>• Guidelines for determining (level of) fix remuneration</li> <li>• Update on definitions of variable pay schemes</li> <li>• Remuneration for Members of the Supervisory Board</li> <li>• Career bands in Erste Group</li> </ul>	Michiel van den Berg	Holding Board  The Remuneration Committee of Erste Group Bank AG
V 5.0	06.09.2016	Annex 11	<ul style="list-style-type: none"> <li>• Annual review without content changes</li> </ul>	Andrea Blatnek-Winkler	Holding Board
V 6.0	06.12.2016  14.12.2016	Entire policy	<ul style="list-style-type: none"> <li>• Implementation of EBA/GL/2015/22 Guidelines on sound remuneration policies under Article 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013</li> </ul>	Andrea Blatnek-Winkler	Holding Board  The Remuneration Committee of Erste Group Bank AG

Version History	Approval Date	Section(s)	Changes	Author(s)	Approved by
V 7.0	2017-06-27  2017-06-28		<ul style="list-style-type: none"> <li>• Implementation of recommendations of the Joint Supervisory Team see 1.1, 2.1, Annex 4</li> <li>• Change of bonus payment model in divisionalised business</li> <li>• Implementation of EBA/GL/2016/06 Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services</li> <li>• Clarification of bonus pool guideline for retention bonus, Annex 3, requested by Remuneration Committee.</li> </ul>	Andrea Blatnek-Winkler	Holding Board  The Remuneration Committee of Erste Group Bank AG