



HNB

EUROSUSTAV

GOVERNOR

Pursuant to Article 200, paragraph (4) of the Credit Institutions Act (Official Gazette 22/2026) and Article 43, paragraph (2), item (10) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

Decision on staff remuneration

I GENERAL PROVISIONS

Subject matter and compliance with the legal acts of the European Union

Article 1

(1) This Decision governs the rules, procedures and criteria regarding remuneration policies, and in particular:

- 1) the definition and types of staff remuneration;
- 2) requirements regarding staff remuneration and the method and scope of their implementation; and
- 3) the criteria for the determination of identified staff.

(2) This Decision transposes into Croatian legislation the following acts of the European Union:

- 1) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Text with EEA relevance) (OJ L 176, 27.6.2013);
- 2) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (Text with EEA relevance) (OJ L 150, 7.6.2019);
- 3) Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (Text with EEA relevance) (OJ L 2024/1619, 19.6.2024).

(3) When the European Central Bank carries out its tasks referred to in Article 4, paragraphs (1) and (2) of Regulation (EU) 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287/63, 29.10.2013) (hereinafter referred to as 'Regulation (EU) No 1024/2013') in accordance with Article 6 of Regulation (EU) No 1024/2013, the European Central Bank shall have the powers of the Croatian National Bank under the Credit Institutions Act and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013), as last amended by Regulation (EU) 2025/1215 of the European Parliament and of the Council of 17 June 2025 amending Regulation (EU) No 575/2013 as regards requirements for securities financing transactions under the net stable funding ratio (Text with EEA relevance) (OJ L, 1215, 25.6.2025) (hereinafter referred to as 'Regulation (EU) No 575/2013').

(4) The provisions of this Decision comply with the Guidelines of the European Banking Authority on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04).

Entities subject to the Decision

Article 2

(1) The provisions of this Decision shall apply to credit institutions with head offices in the Republic of Croatia that have been authorised in accordance with the act governing credit institutions.

(2) The provisions of this Decision shall apply *mutatis mutandis* to branches of third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country credit institution, and to financial holding companies or mixed financial holding companies that have been granted approval in accordance with the act governing credit institutions or to a designated entity when the financial holding company or mixed financial holding company has been granted exemption.

(3) A credit institution shall apply the provisions of this Decision on an individual basis and on a sub-consolidated or consolidated basis in accordance with the act governing credit institutions.

(4) Financial holding companies or mixed financial holding companies shall apply the provisions of this Decision on a consolidated basis.

Definitions

Article 3

(1) For the purposes of this Decision, the following definitions shall apply:

- 1) '*Prudential consolidation*' means the application of prudential requirements set out in the Credit Institutions Act (Official Gazette 22/2026) and Regulation (EU) No 575/2013 on a consolidated or sub-consolidated basis, in accordance with Title XI, Chapter IX of the Credit Institutions Act and Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013.
- 2) '*Retention bonuses*' means variable remuneration awarded on the condition that staff remain employed with a credit institution for a predetermined period of time. They may be used during restructuring, winding up, bankruptcy, resolution or after a change of control over a credit institution's operation or to ensure the finalisation of major projects.
- 3) '*Discretionary pension benefits*' means variable remuneration and shall have the meaning as defined in Article 4, paragraph (1), item (73) of Regulation (EU) No 575/2013.
- 4) '*Allowances*' means additional or ancillary payments or benefits that are part of fixed or variable remuneration.
- 5) '*Award*' means the granting of variable remuneration for a specific performance assessment period independently of the actual point in time when the awarded amount is paid.
- 6) '*Fixed remuneration*' means payments and benefits for staff which comply with the conditions for their award referred to in Article 14 of this Decision.
- 7) '*Identified staff*' means staff whose professional activities have a material impact on the credit institution's individual or the group's risk profile in accordance with the criteria set out in Article 28 of this Decision and Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92, paragraph (3) of that Directive (Text with EEA relevance) (Official Journal EU L 203/1, 9.6.2021; hereinafter referred to as 'Commission Delegated Regulation (EU) 2021/923').
- 8) '*Instruments*' means those financial instruments or other contracts that fall within one of the categories referred to in Article 40, paragraph (3) of this Decision.
- 9) '*Share-linked instruments*' means those instruments whose value is based on the market price of the stock, e.g. stock appreciation rights, various types of synthetic shares and other similar instruments. Where market price is unavailable, the value of such instruments is based on fair value.

- 10) '*Extraordinary public financial support*' means state aid within the meaning of Article 107, paragraph (1) of the Treaty on the Functioning of the European Union or any other public financial support on supranational level which would, were it to be granted on a national level, constitute state aid which is granted for the purpose of maintaining or restoring sustainability, liquidity or solvency of a credit institution or a group of which the credit institution is a part.
- 11) '*Maximum amount of variable remuneration*' means the highest amount of variable remuneration which can be awarded in the award process set at the level of the credit institution or a credit institution's business unit.
- 12) '*Malus*' means a contractual clause under which a staff member agrees that a credit institution is not obliged to pay out or vest a part of the deferred unpaid variable remuneration or the whole of the deferred unpaid variable remuneration if risk outcomes lead to a downturn in performance or subdued financial performance.
- 13) '*Upfront payments*' means payments which are made immediately after the assessment period.
- 14) '*Remuneration deferral*' means a contractual clause under which variable remuneration is not paid that is where instruments are not vested immediately after the assessment period.
- 15) '*Severance payments*' means variable remuneration relating to the early termination of a contract, i.e. in the case of temporary contracts, termination before the end date of the contract and in the case of indefinite contracts, before the contractual or legal retirement, by a credit institution or its subsidiaries. Regular remuneration payments during the notice period shall not be considered severance payments.
- 16) '*Remuneration*' means all forms of payments and benefits, monetary or in kind, which a credit institution pays to a staff member in exchange for professional services rendered by that staff member, including:
 - 1) remuneration for employment – salary, including discretionary pension benefits;
 - 2) remuneration for employment – remuneration in kind; and
 - 3) other remuneration.Remuneration also includes payments and benefits indirectly paid to staff by a parent or other related companies of the credit institution.
Total remuneration can comprise fixed remuneration and variable remuneration.
For the purposes of the requirements of this Decision, remuneration amounts are considered on a gross basis. Dividends received by a staff member as shareholder of a credit institution shall not be considered staff remuneration.
- 17) '*Remuneration awarded on the basis of a multi-year assessment period*' means remuneration awarded on the basis of a performance assessment which is not performed each year.
- 18) '*Clawback*' means a contractual clause under which a staff member agrees to return ownership of an amount of variable remuneration, either paid out or vested, to the credit institution, if the amount of the variable remuneration does not correspond to actual risk outcomes or changes to persisting risks of the credit institution, business line or staff's activities. This provision may be contracted for deferred and non-deferred variable remuneration.
- 19) '*Risk profile*' means the measurement or assessment of all risks to which a credit institution is or might be exposed in its operation.
- 20) '*Staff*' means natural persons who, based on an employment contract or some other contract concluded with the credit institution, perform certain activities for the credit institution. In case of outsourcing where the credit institution, by means of a contractual agreement, entrusts the performance of certain activities to a service provider who is a member of the credit institution's group, '*staff*' also means natural persons who, based on an employment contract or some other contract concluded with the service provider, are directly engaged in the provision of services to the credit institution for the purposes of performing specific activities. The provisions of this Decision shall apply *mutatis mutandis* on members of the supervisory board and procurators of credit institutions.
- 21) '*Deferral period*' means the period of time between the award and the vesting of the variable remuneration during which staff is not the legal owner of the remuneration awarded. A deferral period starts with the payment of the portion of the variable remuneration component that is

not deferred or the vesting of instruments that are not subject to deferral. If the total payment of variable remuneration is deferred, a deferral period starts on the date of the award of variable remuneration. A deferral period ends with the payment of the last portion of the deferred variable remuneration component or the last vesting of instruments that are subject to deferral.

- 22) '*Gender pay gap*' means the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men.
- 23) '*Assessment period*' means a period for which performance of a staff member, a business unit and a credit institution is assessed and measured for the purpose of determining the variable remuneration of staff.
- 24) '*Retention period*' means a period of time during which a staff member retains variable remuneration paid out in the form of instruments. A retention period starts with the vesting of instruments. If instruments are subject to deferral, a retention period starts with the vesting of these instruments for each deferred portion of remuneration. During the retention period, variable remuneration may not be sold or accessed.
- 25) '*Remuneration bracket*' means the range between the lowest and the highest remuneration amount of a specific group of staff.
- 26) '*Routine employment packages*' means additional forms of remuneration that most staff members may receive on the basis of predetermined criteria including, for instance, staff insurance policies, travel allowances and similar benefits.
- 27) '*Determination of variable remuneration*' means determination of the amount of variable remuneration for individual staff members.
- 28) '*Variable remuneration*' means remuneration which is not fixed.
- 29) '*Remuneration retention*' means a contractual clause under which a staff member agrees not to sell or access variable remuneration that has been already vested and paid out in the form of instruments during a prearranged period.
- 30) '*Guaranteed variable remuneration*' means variable remuneration which can be exceptionally awarded when hiring new staff for no longer than the first year of employment and which may be in the form of a guaranteed bonus, welcome bonus, sign-on bonus or minimum bonus.
- 31) '*Circumvention of provisions on remuneration*' means non-compliance with the provisions of this Decision where the credit institution formally complies with the provisions of this Decision, but does not actually meet their objective and purpose.
- 32) '*Material business unit*' shall have the meaning as defined in Article 1, item (3) of Commission Delegated Regulation (EU) 2021/923.

(2) The terms not otherwise defined shall for the purposes of this Decision have the meaning as defined in the Credit Institutions Act or Regulation (EU) No 575/2013.

II ESTABLISHMENT, IMPLEMENTATION AND REVIEW OF THE REMUNERATION POLICY

Remuneration policy

Article 4

(1) A credit institution shall establish and implement a remuneration policy in accordance with the provisions of this Decision.

(2) A parent credit institution, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant to the Credit Institutions Act and a designated entity pursuant to Article 89, paragraph (2), item (3) of the Credit Institutions Act or in accordance with the the relevant provisions of regulations in force in another Member State, shall establish and implement the remuneration policy for the group of credit institutions in the Republic of Croatia in accordance with the provisions of this Decision.

(3) The remuneration policy referred to in paragraphs (1) and (2) of this Article shall be a gender neutral remuneration policy.

(4) Employment contracts as well as all other contracts between staff and a credit institution must be entered into in accordance with the remuneration policy referred to in paragraph (1) of this Article.

Principle of proportionality

Article 5

(1) Credit institutions shall meet the obligations set out in Articles 6 to 43 of this Decision by applying the principle of proportionality, i.e. in a way and to the extent that is appropriate to their size, internal organisation and the nature, scale and complexity of their activities.

(2) To comply with the principle of proportionality, credit institution shall consider the following criteria:

- 1) the balance sheet and profit and loss account structure;
- 2) available equity and debt instruments;
- 3) the authorisation to use internal approaches for calculating capital requirements;
- 4) the proportionality assessment done for the group, if the credit institution is a part of a group of credit institutions in the Republic of Croatia;
- 5) types of services provided to clients and types of clients (e.g. retail clients, corporate clients, small businesses, public entities);
- 6) business strategy, the structure of business activities, the measurability and predictability of the risks of business activities;
- 7) funding structure;
- 8) internal organisation, including the level of variable remuneration that can be paid to identified staff;
- 9) the complexity of products;
- 10) the geographical presence and the size of the operations in each jurisdiction; and
- 11) whether the credit institution meets the criteria to be classified as a small and non-complex or a large credit institution as defined in Article 3, paragraph (1), items (54) and (142) of the Credit Institutions Act.

(3) When applying the requirements set out in this Decision in a proportionate way, credit institutions shall consider their risk profile, risk appetite and other characteristics and develop and implement remuneration policies that are appropriately aligned with the business strategy, objectives, values and long-term interests of the credit institution.

(4) Before remuneration requirements are applied in a proportionate way, credit institutions shall determine identified staff and apply the limitation of the maximum ratio between the variable and fixed components of total remuneration in accordance with Article 21 of this Decision to all staff members in the credit institution.

(5) A credit institution which is not a large credit institution shall not be subject to the provisions referred to in Articles 39 to 43 of this Decision.

(6) At the request of the Croatian National Bank, credit institutions shall explain the manner in which they performed the analysis of the criteria referred to in paragraphs (2) and (3) of this Article and submit all relevant documentation.

(7) Credit institutions shall meet the obligations set out in Articles 28 to 43 of this Decision by applying the principle of proportionality, i.e. in a way that is appropriate to the impact of the identified staff member on the risk profile of the credit institution.

Competences and responsibilities of the management and supervisory board in the establishment and implementation of remuneration policy

Article 6

(1) Members of the supervisory board shall collectively possess adequate knowledge, skills and experience related to remuneration policy and practice, including the mechanisms for the alignment of remuneration structure with the credit institution's risk profile and capital structure.

(2) When exercising their duties referred to in Article 191, paragraph (1), items (6) and (7) of the Credit Institutions Act, the supervisory board of a credit institution shall:

- 1) approve any subsequent exemptions made for individual identified staff members and changes to the remuneration policy;
- 2) adopt the decision on the maximum amount of variable remuneration which the credit institution determines for all staff members in the business year for a certain assessment period;
- 3) on an individual basis, adopt the decision on the remuneration of management board members and if no remuneration committee has been established, directly oversee the remuneration of heads of internal control functions;
- 4) adopt the decision on the reduction of variable remuneration to staff, including the application of malus or clawback clauses in case of a significant downturn in performance or losses of the credit institution, in accordance with Article 38 of this Decision; and
- 5) adopt the decision on the possible use of severance payments, including the maximum amount or criteria for the determination of such amounts that can be awarded as severance pay to staff.

(3) The management board of the credit institution shall establish the remuneration policy subject to the approval of the supervisory board and be responsible for its implementation.

(4) The management board shall implement the decisions of the supervisory board referred to in paragraph (2), items (2) to (5) of this Article in line with the remuneration policy.

(5) The management board may determine the remuneration of staff not mentioned in paragraph (2), item (3) of this Article on a collective basis.

Competences and responsibilities of the credit institution's functions in the establishment and implementation of remuneration policy

Article 7

(1) When performing activities referred to in Article 6, paragraph (2) of this Decision, the supervisory board shall adequately include internal control functions, relevant business units and credit institution's function competent for human resources and legal, strategic planning and budget functions.

(2) The human resources function shall participate in and inform the credit institution's relevant bodies and functions on the drawing up and the evaluation of the remuneration policy including the remuneration structure, remuneration levels and incentive schemes, in a way that would not only attract and retain the staff the credit institution needs, but also assure that the remuneration policy is aligned with the credit institution's risk profile.

(3) The risk control function shall participate in and inform the credit institution's relevant bodies and functions on the following:

- 1) the determination of appropriate criteria for the adjustment of variable remuneration to performance and the criteria for the adjustment of variable remuneration to risks, including malus and clawback;
- 2) the assessment of the manner in which the variable remuneration structure affects the credit institution's risk profile and culture; and
- 3) the assessment and validation of risk adjustment data, and shall attend the meetings of the remuneration committee on this matter.

(4) The compliance function shall analyse how the remuneration policy affects the credit institution's compliance with legislation and risk culture and shall report all identified compliance risks and issues of non-compliance to the management and supervisory board.

(5) The internal audit function shall carry out an independent review of the design, implementation and effects of the credit institution's remuneration policy on its risk profile and the way remuneration policy is managed.

Remuneration policies on a consolidated basis

Article 8

(1) A parent credit institution, a parent financial holding company, a parent mixed financial holding company or a designated entity in a group of credit institutions in the RC shall establish a remuneration policy at group level of a group of credit institutions in the RC and ensure it is applied in all subsidiaries in the scope of prudential consolidation in accordance with the Credit Institutions Act.

(2) When establishing a remuneration policy to be applied on a consolidated and a sub-consolidated basis for a group of credit institutions in the RC, a RC parent credit institution, a parent financial holding company, a parent mixed financial holding company or a designated entity shall take account of the following:

- 1) the size, internal organisation and the nature, scale and complexity of activities of individual subsidiaries, taking account of the level of risk that an individual subsidiary poses for the parent credit institution;
- 2) the specifics of national legal frameworks in which individual subsidiaries operate (e.g. tax regulations, possible differences between the national implementations of the limitation of the maximum ratio between the variable and fixed components of the total remuneration of an individual staff member and the requirements referred to in Articles 28 to 43 of this Decision and regulations governing employment);
- 3) possible differences between business models of the parent credit institution and its subsidiaries;
- 4) possible differences between management systems of the parent credit institution and its subsidiaries;
- 5) the specifics of prudential requirements in other financial sectors, if members of the group of credit institutions in the RC perform activities outside the scope of the Credit Institutions Act; and
- 6) other circumstances which the credit institution deems relevant.

(3) A parent credit institution in a group of credit institutions in the RC shall ensure that a subsidiary in the scope of prudential consolidation which is not an institution or a subsidiary referred to in Article 176, paragraph (1) of the Credit Institutions Act has a remuneration policy aligned with the remuneration policy of the group applied to:

- 1) all staff; and
- 2) the identified staff in the subsidiary whose professional activities have a material impact on the group's risk profile.

(4) The provisions on the maximum ratio between the variable and fixed components of total remuneration shall apply to the subsidiary referred to in Article 176, paragraph (1) of the Credit Institutions Act.

(5) A parent credit institution in a group of credit institutions in the RC, a parent financial holding company and a parent mixed financial holding company or a designated entity shall for a subsidiary established in a third country, if such subsidiary, had it been established in the European Union, would not be subject to special remuneration regulations in accordance with other regulations of the European Union, and which is included in the scope of prudential consolidation:

- 1) as part of the remuneration policy, set the maximum ratio between the variable and fixed components of total remuneration at group level and ensure that the instruments used to pay out variable remuneration are in line with the provisions of Article 40 of this Decision, unless this would be contrary to the regulations of the third country in which the subsidiary is established; and
- 2) ensure that its remuneration policy is aligned with the group's remuneration policy:

1. applied to all staff; and
2. applied to the identified staff in the subsidiary whose professional activities have a material impact on the group's risk profile.

(6) The provisions of this Decision shall also apply to temporary employment contracts, expatriated staff and posted staff during their work in a credit institution having its head office in the Republic of Croatia.

(7) The competent functions in the parent credit institution and subsidiaries shall exchange information related to the design, establishment, implementation, review and compliance assessment of remuneration policy implementation as necessary.

Remuneration committee

Article 9

(1) The supervisory board of a credit institution shall establish a remuneration committee in accordance with the provisions of Article 192, paragraph (1) of the Credit Institutions Act. Where a small and simple credit institution sets up a remuneration committee, the tasks of the remuneration committee may be combined with other tasks as long as they do not create conflict of interests.

(2) In addition to the responsibilities referred to in Article 195, paragraph (2) of the Credit Institutions Act, the remuneration committee shall be responsible for the following tasks:

- 1) providing support to the supervisory board with regard to the establishment and regular review of the basic principles of the remuneration policy referred to in Article 191, paragraph (1), items (6) and (7) of the Credit Institutions Act;
- 2) providing support and advice to the management board on the design of remuneration policy;
- 3) preparing decisions of the supervisory board referred to in Article 6, paragraph (2) of this Decision;
- 4) ensuring the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher ratio between the variable and fixed components of total remuneration;
- 5) assessing the mechanisms and systems adopted to ensure that the requirements referred to in Article 12, paragraph (1) of this Decision are met;
- 6) submitting proposals to the supervisory board related to the use of advisory services in the area of remuneration policy and its implementation;
- 7) reviewing and assessing the compliance of remuneration policy implementation or providing support to the supervisory board in reviewing and assessing the compliance of remuneration policy implementation referred to in Article 10 of this Decision;
- 8) assessing the achievement of performance targets and the need for subsequent remuneration reduction, including the application of malus and clawback arrangements;
- 9) participating in the process of determining identified staff;
- 10) running a number of possible scenarios to test how the remuneration policy and its implementation will react to future external and internal events on an annual basis at a minimum; and
- 11) back-testing the criteria used for determining variable remuneration and the reduction of remuneration prior to their determination or payout on an annual basis at a minimum.
- 12) direct oversight of the remuneration of heads of internal control functions.

(3) The remuneration committee shall collaborate with other supervisory board committees whose activities may have an impact on the design and implementation of the remuneration policy. A member of the remuneration committee shall participate in the meetings of the risk committee and vice versa.

Remuneration policy review and assessment of implementation compliance

Article 10

(1) The remuneration committee or, if the credit institution is not obliged to establish a remuneration committee in accordance with the provisions of Article 192, paragraph (2) of the Credit Institutions Act, the supervisory board of the credit institution, shall review the remuneration policy on an annual basis at a minimum and assess the compliance of remuneration policy implementation:

- 1) with the credit institution's policies and possible procedures for remuneration; and
- 2) with the relevant regulations, standards, principles and codes.

(2) Remuneration policy review shall particularly assess:

- 1) whether remuneration payouts are aligned with the business strategy and whether they adequately reflect the credit institution's risk profile, long-term interests and other objectives;
- 2) whether they are in line with Article 250 of the Credit Institutions Act and whether they limit the credit institution's ability to maintain or increase its capital;
- 3) whether the criteria and the procedure for the exclusion of identified staff are in line with Article 6, paragraphs (2), (3) and (4) of Commission Delegated Regulation (EU) 2021/923; and
- 4) whether they are consistently implemented across the group of credit institutions in the RC.

(3) The committee responsible for the implementation of the procedure referred to in paragraph (1) of this Article shall involve in that procedure, as appropriate, the credit institution's internal control, human resources, legal and strategic planning functions as well as other supervisory board committees, if any have been established.

(4) If deficiencies in the remuneration policy or its implementation are identified in the course of the procedure referred to in paragraph (1) of this Article, the supervisory board shall adopt a remedial plan and start with its implementation without delay.

(5) Small and simple credit institutions may outsource the procedure referred to in paragraph (1) of this Article in accordance with the provisions of the Credit Institutions Act and regulations adopted on the basis thereof. If, in the course of the procedure referred to in paragraph (1) of this Article, the service provider identifies deficiencies in the remuneration policy or its implementation, the supervisory board shall adopt a remedial plan and ensure its implementation without delay.

(6) A report on the conducted procedure referred to in paragraph (1) of this Article must be submitted to the credit institution's management and supervisory board and other relevant functions and supervisory board committees.

(7) The internal audit function of a parent credit institution, a parent financial holding company and a parent mixed financial holding company or a designated entity in a group of credit institutions in the RC shall review the remuneration policy and assess compliance of its implementation for a group of credit institutions in the RC.

(8) A small and simple credit institution which is a subsidiary in a group of credit institutions in the RC may entrust the review of the remuneration policy and assessment of compliance of its implementation to the internal audit function of the parent credit institution, the parent financial holding company, the parent mixed financial holding company or a designated entity in the group of credit institutions in the RC, provided that the following conditions are met:

- 1) the subsidiary is included in the review on a consolidated basis; and
- 2) review results are available to the supervisory board of the subsidiary.

(9) A credit institution shall monitor the development of the gender pay gap separately for:

- 1) identified staff, excluding members of the management and supervisory board;
- 2) chairperson and members of the management board;
- 3) chairperson and members of the supervisory board; and
- 4) other staff.

(10) Where significant differences between the average pay of male and female staff or male and female members of the management and supervisory board exist, a credit institution shall:

- 1) document the main reasons for differences and take appropriate action where relevant; or
- 2) demonstrate that the difference does not result from a remuneration policy that is not gender neutral.

III GENERAL AND SPECIFIC REQUIREMENTS ON THE REMUNERATION POLICY

Remuneration policy requirements

Article 11

(1) Credit institutions shall apply the general requirements referred to in Articles 12 to 27 of this Decision to all staff.

(2) Credit institutions shall apply the specific requirements referred to in Articles 28 to 43 of this Decision to identified staff.

(3) To better align remuneration with risks, credit institutions may apply some or all the specific requirements referred to in Articles 28 to 43 of this Decision to all staff. This shall be prescribed in the remuneration policy and implemented consistently.

III.1 GENERAL REQUIREMENTS OF THE REMUNERATION POLICY

General requirements

Article 12

(1) Credit institutions shall establish and implement a remuneration policy that meets all of the following conditions:

- 1) it is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of their its tolerated risk;
- 2) it is consistent with the objectives of the credit institution's business strategy and risk strategy, including environmental, social and governance risk-related objectives, values and long-term interests and incorporates measures to prevent conflicts of interest;
- 3) it does not limit the credit institution's ability to maintain or increase the amount of its capital; and
- 4) it provides for an effective framework for performance measurement, risk adjustment and the linkages of performance to reward.

(2) The remuneration policy encourages risk-taking that exceeds the level of tolerated risk of the credit institution if either of the following conditions are met:

- 1) there is a strong dependence of a staff member on the variable remuneration arising from an inappropriate ratio between variable and fixed components of total remuneration; or
- 2) staff remuneration related to the termination of an employment contract with the credit institution do not reflect performance of the credit institution, business units or staff member achieved over time or do not punish failure or behaviour contrary to regulations or internal bylaws.

(3) Credit institutions shall ensure that remuneration policy implementation is aligned with:

- 1) its overall risk appetite, including reputational risks and risks resulting from the mis-selling of products; and
- 2) the long-term interests of the credit institution's shareholders.

(4) A credit institution's remuneration policy shall contain the following:

- 1) the performance objectives for the credit institution, business areas and staff;
- 2) the methods for the measurement of performance, including the performance criteria for staff or business units assuming risks and other staff or functions;

- 3) all types of remuneration, including the structure of variable remuneration;
 - 4) instruments in which variable remuneration can be paid and the manner of managing potential conflicts of interest caused by the payout of instruments as part of the variable remuneration;
 - 5) measures to reduce variable remuneration; and
 - 6) remuneration framework for other persons in charge of concluding contracts and performing legal acts in the name and for the account of the credit institution (tied agents) to ensure that remuneration payouts do not encourage excessive risk taking or mis-selling of products in any manner whatsoever.
- (5) Credit institutions shall identify circumstances and situations that may lead to potential conflicts of interest with regard to the remuneration policy, particularly with regard to the payout of variable remuneration in instruments, and take measures to prevent such conflicts of interest, including, at a minimum:
- 1) the establishing of objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle; and
 - 2) acting in line with regulations governing the capital market, particularly the provisions prohibiting insider dealing and market manipulation.

Criteria for the determination of fixed and variable remuneration

Article 13

In their remuneration policies, credit institutions shall clearly distinguish the criteria for determining fixed and variable remuneration components whereby:

- 1) fixed remuneration primarily reflects the professional experience and responsibilities arising from a description of an individual staff member's job position, while
- 2) variable remuneration reflects performance that is sustainable and adjusted to risks, as well as performance that exceeds the standard expected in accordance with a description of an individual staff member's job position.

Fixed remuneration

Article 14

- (1) Remuneration shall be considered fixed if it meets the following conditions:
- 1) it is based on predetermined criteria;
 - 2) it reflects the level of professional experience, seniority of staff and other criteria set out in the credit institution's bylaws;
 - 3) it is transparent with respect to the individual amount awarded to the individual staff member;
 - 4) it is maintained over a period tied to the position of an individual staff member in the organisational structure and the powers and responsibilities arising from that position;
 - 5) it is non-revocable; the permanent amount is only changed via collective bargaining or following changes in working regulations or the employment contract;
 - 6) it can only be reduced, suspended or cancelled by the credit institution as a result of the implementation of a decision imposing the disciplinary measure of fine in line with the law governing employment relationships, the collective agreement or working regulations or if the staff member consented to the withholding of payment of salary or gave written consent to the attachment of salary or other permanent monetary income for the collection of the creditor's claim with the exception of the portion of income exempt from execution in accordance with the law governing execution and insurance procedures;
 - 7) it does not provide incentives for risk assumption;
 - 8) it does not depend solely on performance; and
 - 9) it does not depend on a discretionary decision.
- (2) The following types of remuneration shall also be considered fixed:

- 1) routine employment packages;
- 2) remuneration paid to expatriate staff considering the cost of living and tax rates in a different country;
- 3) allowances used to increase the basic fixed salary in situations where staff work abroad and receive less remuneration than would be paid by the credit institution for a comparable position in the Republic of Croatia. In that case, all of the following specific conditions must be met:
 1. the remuneration is paid to all staff in a similar situation;
 2. the remuneration is awarded because the remuneration level requires adjustment to reflect pay levels in the relevant market;
 3. the level of remuneration is based on predetermined criteria; and
 4. the remuneration is tied to the duration of the staff member's work abroad.

(3) Remuneration that does not meet the conditions referred to in paragraph (1) of this Article shall be considered variable remuneration.

Allowances

Article 15

(1) Based on the conditions referred to in Article 14 of this Decision, credit institutions shall allocate allowances to the fixed or the variable component of remuneration.

(2) Where allowances are allocated to the fixed component of remuneration, credit institutions shall duly document the results of the assessments in the following cases:

- 1) they are paid to identified staff members;
- 2) they are limited to cases where the ratio between the variable and fixed components of total remuneration would exceed the allowed ratio referred to in Article 201, paragraphs (1) and (2) of the Credit Institutions Act; and
- 3) they are paid based on the criteria replacing performance assessment criteria.

(3) Where allowances are based on the staff member's position in the organisational structure and the powers and responsibilities arising from that position, they may be allocated to the fixed remuneration component, provided that they meet the conditions referred to in Article 14 of this Decision and all of the following conditions:

- 1) they are paid as long as no material changes happen regarding the position of the staff member in the organisational structure and the powers and responsibilities arising from that position;
- 2) the amount depends exclusively on the powers and responsibilities arising from the staff member's position and the fulfilment of conditions referred to in Article 14 of this Decision; and
- 3) any other staff member having the same position within the organisational structure and the same powers and responsibilities arising from that position would be entitled to a comparable allowance.

Variable remuneration based on future performance

Article 16

(1) When the award of variable remuneration, including long-term incentive plans, is based on a past assessment period of at least one year, but also depends on future performance conditions, credit institutions shall:

- 1) set additional performance conditions that have to be met after the award for the variable remuneration to be vested;
- 2) assess that the conditions for the vesting of variable remuneration have been met;
- 3) apply provisions regarding malus, including the reduction of variable remuneration up to 100% if the additional performance criteria referred to in item (1) of this paragraph have not been met;

- 4) set the end of the deferral period at the earliest one year after the end of the last assessment period; and
 - 5) for the calculation of the ratio between the variable and fixed components of total remuneration, take into account the total amount of the variable remuneration awarded in the financial year for which the variable remuneration, including long-term incentive plans, was awarded.
- (2) Where a remuneration plan, including long-term incentive plans, is exclusively based on future performance conditions, variable remuneration shall be awarded after the conditions referred to in paragraph (1), items (1) and (2) of this Article have been met; otherwise, no award shall be made.
- (3) When determining the ratio between the variable and fixed components of total remuneration, remuneration referred to in paragraph (2) of this Article shall:
- 1) be included in the financial year prior to their award;
 - 2) the value of variable remuneration awarded in instruments shall be determined according to their market price or the fair value on the day the remuneration plan was adopted.

Severance pay

Article 17

- (1) When determining the amount of severance pay, credit institutions shall take into account the performance of staff over a specific period and adequately apply the provisions on the reduction of remuneration referred to in Article 38 of this Decision.
- (2) Within the meaning of this Decision, severance pay shall also refer to payments made in the following cases:
- 1) the credit institution terminates the employment contract with a staff member due to significant difficulties in the operation of the credit institution;
 - 2) the credit institution intends to terminate the employment contract with a staff member following a material reduction of the credit institution's activities in which the staff member was active or where specific business areas of the credit institution are acquired by another company without the option for staff to stay employed in the acquiring company; and
 - 3) the credit institution and a staff member agree on an out-of-court settlement in case of disagreement on the rights and obligations from the employment relationship that could lead to the initiation of a labour dispute in front of a court (lodging an appeal in front of a court) or a court settlement in a labour dispute, including an agreement of the staff member and the employer on employment contract termination.
- (3) Within the meaning of this Decision, significant difficulties in the operation of a credit institution refer to the following cases:
- 1) the credit institution received extraordinary public financial support or is subject to early intervention or resolution measures;
 - 2) the opening of normal insolvency proceedings of the credit institution, as defined in the regulations governing the resolution of credit institutions and investment firms, has been filed; and
 - 3) significant losses lead to the situation in which the credit institution no longer has a sound capital base and, following this, a business area is sold or a business activity is reduced.
- (4) Credit institutions shall not award severance pay in case a staff member violates his or her obligations under the employment relationship.
- (5) Within the meaning of this Decision, the violation of obligations from the employment relationship shall refer to the following cases:
- 1) a member of the management or supervisory board of a credit institution no longer meets the conditions for membership prescribed by the Credit Institutions Act;
 - 2) a staff member participated in or was responsible for activities which resulted in significant losses for the credit institution; and

- 3) a staff member acted contrary to internal rules, policies or procedures based on intent or gross negligence.
- (6) Exceptionally, the following types of severance payments shall not be taken into account when calculating the maximum ratio between the variable and fixed components of the total remuneration referred to in Article 21, paragraph (2) of this Decision and shall not be subject to the provisions on deferral and payment of variable remuneration in instruments referred to in Articles 39 to 41 of this Decision:
- 1) severance pay in the amount not exceeding the amount set out by the law governing employment relationships;
 - 2) severance pay in the amount defined by a collective agreement or working regulations that is not granted on a discretionary basis;
 - 3) severance pay paid on the basis of a court order with final force and effect;
 - 4) remuneration paid out in case of termination of employment, during ban of competition based on a contractual provision, in the amount not exceeding the amount of fixed remuneration which would have been paid to the staff member had the staff member been employed in the credit institution during that period;
 - 5) remuneration paid out as indemnity in case of judicial cancellation of employment contract in line with the law governing employment relationships; and
 - 6) severance payments under paragraph (2) of this Article not listed in items (1) to (5), where the credit institution has demonstrated to the Croatian National Bank the reasons and the appropriateness of the amount of the severance payment.
- (7) Additional payments in the context of the regular end of a contractual period or of the appointment as member of the management board, e.g. awarded discretionary pension benefits, shall not be considered severance payments. Where such payments are variable remuneration and are paid to identified staff, they shall be subject to all specific requirements for variable remuneration set out in this Decision.

Retention bonuses

Article 18

- (1) If credit institutions award retention bonuses to retain an identified staff member, they must comply with the provisions on variable remuneration, including provisions on the maximum permitted ratio between the variable and fixed components of total remuneration, ex post risk adjustment, payout in instruments, deferral, retention, malus and clawback arrangements.
- (2) The provisions of Article 105, paragraph (1), item (11) of the Credit Institutions Act and Articles 25 and 44 of this Decision shall apply *mutatis mutandis* to retention bonuses.
- (3) Retention bonuses may not be awarded to compensate for performance-related remuneration.
- (4) Credit institutions shall set:
 - 1) the retention conditions and applicable performance conditions;
 - 2) a retention period, or, if the exact duration of the retention period is not available in advance, set a condition that is to be met in order for the retention period to end; and
 - 3) a date or event after which they determine whether the retention and performance conditions have been met.
- (5) The performance conditions referred to in paragraph (4), item (1) of this Article shall include conditions that are related to:
 - 1) the legitimate interests for which the staff member should be retained;
 - 2) the conduct of staff; and
 - 3) the provisions of paragraph (2) of this Article.
- (6) Retention bonuses shall be awarded after the end of the retention period, after the retention conditions and applicable performance conditions have been met.

(7) When determining the ratio between the variable and fixed components of total remuneration, credit institutions shall take into account:

- 1) the annual amount of the retention bonus for each year of the retention period. The aforementioned ratio shall be calculated by applying the principle of a pro-rata basis irrespective of the fact that the total amount of retention bonuses is awarded after the retention period ends; or
- 2) the full amount of the retention bonus in the year when the retention condition is met.

Guaranteed variable remuneration

Article 19

(1) Guaranteed variable remuneration is not consistent either with sound and efficient risk management or the principle of rewarding performance. Credit institutions shall not guarantee the payment of a specific amount of variable remuneration to staff nor include guaranteed variable remuneration in their remuneration policies. The contractual obligation of the credit institution to pay out a specific amount of variable remuneration to staff, independent of performance, i.e. exclusively under the condition that the contractual relationship is maintained until a certain date, shall be considered guaranteed payment of a specific amount of variable remuneration.

(2) By way of derogation from paragraph (1) of this Article, credit institutions may contract guaranteed variable remuneration provided that all of the following conditions are met:

- 1) guaranteed variable remuneration is contracted when hiring new staff and is limited to the first year of employment; and
- 2) the credit institution has an adequate level of capital.

(3) Credit institutions may only award guaranteed variable remuneration to the same single staff member once. This requirement shall apply at consolidated and sub-consolidated level and include situations where staff receive a new contract from the same company or another company within the scope of consolidation.

(4) Provisions on malus and clawback shall not apply on guaranteed variable remuneration referred to in paragraph (2) of this Article and shall not be included in the calculation of the ratio between the variable and fixed components of total remuneration for the first assessment period. Credit institutions may pay out the full amount of guaranteed variable remuneration in non-deferred cash.

Compensation or buyout from previous employment contract

Article 20

(1) If remuneration related to compensation or buyout from a contractual obligation based on the termination of a staff member's contractual relationship with the previous employer is contracted by a credit institution with a staff member, the credit institution shall align such remuneration with its long-term interests and take into account the conditions referred to in Article 19, paragraph (2) of this Decision.

(2) The provisions on variable remuneration referred to in this Decision, including performance assessment, deferral, retention, payout in instruments and clawback shall apply *mutatis mutandis* on remuneration related to compensation and buyout from contractual obligation.

Ratio between the variable and fixed components of total remuneration

Article 21

(1) In their remuneration policies, credit institutions shall set an appropriate maximum ratio for all categories of staff above which the payment of variable remuneration is not permitted. The fixed

component of total remuneration must represent a sufficiently high portion of total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

(2) The maximum ratio between the variable and fixed components of total remuneration shall be calculated as the ratio between the variable component of remuneration that may be awarded as a maximum in a given assessment period and the fixed part of remuneration to be awarded in relation to the same assessment period.

(3) To set an appropriate ratio between the variable and fixed components of total remuneration, credit institutions shall take into account:

- 1) the quality of performance measurement and associated risk adjustments;
- 2) the length of the deferral and retention periods;
- 3) the nature, scale and complexity of a credit institution's operations;
- 4) the types of risks to which a credit institution is exposed;
- 5) the category of a staff member;
- 6) the position of a staff member in the organisational structure and the powers and responsibilities attached to the job position; and
- 7) other elements that a credit institution deems relevant.

The ratio between the variable and fixed components of total remuneration shall be set independently of any potential remuneration reductions referred to in Article 38 of this Decision or changes in the prices of instruments in which variable remuneration may be paid out.

(4) Credit institutions may set different ratios between the variable and fixed components of total remuneration for different business units, internal control and other functions and different categories of identified staff. In exceptional and duly justified cases, credit institutions may set different ratios between the variable and fixed components of total remuneration for individual identified staff members belonging to the same category.

(5) Credit institutions shall set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component of the total remuneration in accordance with Article 201, paragraph (1) of the Credit Institutions Act.

(6) By way of derogation from paragraph (5) of this Article, credit institutions may set the amount of the variable component of the total remuneration up to double the amount of a staff member's fixed component of the total remuneration provided that all of the conditions laid down in Article 201, paragraphs (2) and (3) of the Credit Institutions Act are met.

(7) The actual ratio between the variable and fixed components of total remuneration shall be calculated as the sum of all variable components of remuneration that have been awarded for the last assessment period divided by the sum of fixed components of remuneration awarded for the same period. When performance assessment is based on a multi-year assessment period, credit institutions may divide the maximum amount awarded at the end of the assessment period by the number of years of the assessment period.

Remuneration of staff engaged in internal control functions

Article 22

(1) Credit institutions shall ensure that variable remuneration of staff engaged in internal control functions depends on the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

(2) Credit institutions shall structure remuneration of staff engaged in internal control functions as follows:

- 1) fixed remuneration may not account for less than two thirds of the staff member's total remuneration; and
- 2) total fixed annual remuneration of the staff member may not be less than the two-year average of the total fixed annual remuneration of the credit institution's staff included in the same remuneration bracket or staff performing activities of comparable scope, complexity and level of responsibility.

(3) The requirements referred to in paragraph (2) of this Article shall apply to a management board member or a senior management member who is also a person responsible for the operation of an internal control function. This provision shall not apply to the chairperson of the management board.

(4) The criteria used for assessing the performance of staff engaged in internal control functions may be the tier 1 ratio, the non-performing loan ratio, the non-performing loan recovery rate, audit findings and other similar criteria and may be based, to some extent, on the performance of the credit institution as a whole.

Remuneration of the supervisory board

Article 23

(1) Members of the supervisory board shall receive fixed remuneration. The fee for participating in the work and attending particular supervisory board meetings, including the related expenses, shall be considered fixed remuneration.

(2) Exceptionally, credit institutions may award and pay out variable remuneration to supervisory board members, whereby the award of variable remuneration and the risk-adjustment procedure must be in line with the powers and responsibilities assigned to individual supervisory board members and the work tasks and the achievement of objectives linked to their functions.

Personal hedging

Article 24

(1) Credit institutions shall require all staff members to undertake not to use personal hedging strategies or variable remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. This provision refers to all variable remuneration of staff, including deferred and retained remuneration, which are subject to provisions on retention.

(2) Staff shall be considered to have hedged against risk if they enter into a contract with the credit institution or a third party and either of the following conditions is met:

- 1) the contract requires the credit institution or the third party to make direct or indirect payments to the staff member that are linked to or commensurate with the amounts by which the staff member's variable remuneration has been reduced;
- 2) the staff member purchases or holds derivatives that are intended to hedge against losses associated with financial instruments received as part of variable remuneration.

(3) Staff shall be considered to have hedged against risk if they take out an insurance contract with a stipulation to compensate them in the event of variable remuneration reduction.

(4) Credit institutions shall establish and maintain efficient mechanisms to ensure compliance with the provisions of paragraph (1) of this Article. In that regard, at least a declaration of self-commitment by the staff member that he or she will refrain from using personal hedging strategies or concluding insurances for the purpose of undermining the risk alignment effects is necessary.

Capital adequacy maintenance

Article 25

(1) Credit institutions shall ensure that the total variable remuneration of all staff of a credit institution does not limit their ability to maintain or increase the amount of capital.

(2) When assessing the impact of total variable remuneration on the credit institution's ability to maintain or increase the amount of capital, a credit institution shall take into account its overall own funds, in particular the common equity tier 1 capital, the combined buffer requirement, the leverage ratio buffer requirement and the minimum requirement for own funds and eligible liabilities (MREL), and the restrictions on distributions referred to in Article 250 of the Credit Institutions Act and regulations governing the resolution of institutions, as well as the results of the internal capital adequacy assessment process. Total variable remuneration shall also include variable remuneration that may be awarded for that year and the amount of variable remuneration that will be paid out or vested in that year.

(3) Credit institutions shall adequately include the impact of variable remuneration in its capital and liquidity planning and in their overall internal capital adequacy assessment process.

(4) Credit institutions which do not have a sound capital base or where the soundness of the capital base is at risk shall take the following measures:

- 1) reduce the maximum amount of variable remuneration, including the possibility to reduce it down to zero;
- 2) apply the provisions regarding malus; and
- 3) withhold the payout of net profit for that year and potentially for subsequent years.

(5) Credit institutions taking measures to reduce variable remuneration referred to in paragraph (4) of this Article in a particular year shall not compensate for the reduction of variable remuneration in later years.

Internal transparency

Article 26

(1) The remuneration policy and procedures adopted for its implementation must be clear, well-documented and available to all staff members.

(2) To ensure that staff behaviour is consistent with the remuneration policy principles, the credit institution shall inform each of its staff members on the relevant remuneration policy provisions.

Circumvention of remuneration provisions

Article 27

(1) Credit institutions shall not circumvent remuneration provisions by paying variable remuneration through other legal persons or by using methods that facilitate or enable the avoidance of the requirements set out in this Decision, the Credit Institutions Act or Regulation (EU) No 575/2013. This includes arrangements between credit institutions and third parties in which a staff member has a financial or personal interest.

(2) Circumvention of remuneration provisions is considered to take place at least in the following circumstances:

- 1) where variable remuneration other than guaranteed variable remuneration is awarded or vested although there has been no sustainable and risk-adjusted performance by the staff member, business unit or credit institution;
- 2) where staff receive payments from the credit institution or an entity within the scope of consolidation which do not fall under the definition of remuneration, but are vehicles or methods of pay that contain an incentive for risk assumption and serve the purpose of remuneration requirement circumvention;
- 3) where fixed remuneration components are awarded as a fixed number of instruments and not as a fixed amount;
- 4) where adjustments to fixed remuneration components are frequently negotiated and adjustments are in fact made to align the remuneration with the performance of staff;
- 5) where allowances are awarded in an excessive amount that is not justified in the underlying circumstances;
- 6) where remuneration is labelled as payment for early retirement and not taken into account as variable remuneration,
 1. where in fact the payment has the character of a severance pay, as it is made in the context of early retirement;
 2. where in fact the staff member does not retire after such award is made;
- 7) where dividend payments are used as methods of paying variable remuneration.

III.2 SPECIFIC REQUIREMENTS ON THE REMUNERATION POLICY FOR ALL CREDIT INSTITUTIONS

Identified staff

Article 28

- (1) Credit institutions shall consider the following as identified staff:
 - 1) members of the management board, supervisory board and senior management of the credit institution;
 - 2) heads of internal control functions and relevant business units;
 - 3) staff members entitled to material remuneration from the preceding business year, where the following conditions are met:
 1. the remuneration of the staff member equals or exceeds EUR 500 000 or more and is equal or greater than the average remuneration awarded to members of the management board, supervisory board and senior management of the credit institution referred to in item (1) of this Article; and
 2. the staff member carries out activities at a material business unit and these activities have a material impact on the risk profile of the relevant business unit;
 - 4) identified staff determined by applying the criteria laid down in the Commission Delegated Regulation (EU) 2021/923 and, where applicable, by applying additional criteria set out by the credit institution.
- (2) Credit institutions shall annually perform and properly document the process of re-identification of staff based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) 2021/923. The documentation shall include the following information:
 - 1) the rationale underlying the re-identification of staff and the scope of its application;
 - 2) the approach used to assess the risks emerging from the credit institution's business strategy and activities;
 - 3) the approach used to assess persons working in credit institutions and other subsidiaries within the scope of consolidation and branches, including such located in third countries;
 - 4) the powers and responsibilities of the different credit institution bodies and functions involved in the design, oversight, review and application of the re-identification process;
 - 5) results of the re-identification, including the number of identified staff members, the number of staff identified for the first time, business tasks and activities which identified staff members

perform and business areas in which identified staff members work, names or personal identification numbers of identified staff and a comparison with the results of the identification performed in the preceding business year; and

- 6) where applicable, evidence of compliance with the conditions referred to in Article 6, paragraph (2) of Commission Delegated Regulation (EU) 2021/923 for staff members identified on the basis of the quantitative criteria referred to in Article 6, paragraph (1) of that Regulation but for whom the credit institution determined that their professional activities do not have a material impact on the credit institution's risk profile.

(3) For the purpose of determining identified staff at the beginning of the current business year based on quantitative criteria referred to in Article 6, paragraph (1) of Commission Delegated Regulation (EU) 2021/923, credit institutions shall take into account all monetary and non-monetary remuneration components awarded to an individual staff member in the preceding business year, independent of the fact when remuneration was paid out.

(4) Credit institutions shall periodically update the identification process at least with regard to the qualitative criteria referred to in Article 5 of Commission Delegated Regulation (EU) 2021/923. Staff identified on the basis of qualitative criteria for a period of at least three months in a business year shall be considered identified staff for that business year.

(5) At the request of the Croatian National Bank, credit institutions shall explain the manner in which they determined identified staff based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) 2021/923 and other criteria set by the credit institution and shall submit all relevant documentation.

Prior approval of exclusions

Article 29

(1) Where a credit institution identifies staff based on quantitative criteria set out in Article 6, paragraph (1) of Commission Delegated Regulation (EU) 2021/923 and determines that their professional activities do not have a material impact on the credit institution's risk profile based on the criteria set out in Article 6, paragraph (2) of that Regulation, the credit institution shall at the latest within six months after the end of the preceding business year submit to the Croatian National Bank a request for prior approval to exclude staff from the application of the provisions referred to in Articles 32 to 42 of this Decision.

(2) The request for prior approval referred to in paragraph (1) of this Article shall also include the names or personal identification numbers of identified staff to which exclusions apply, the percentage of internal capital allocated to the business unit or subsidiary and the analysis of the impact of the staff member on the credit institution's risk profile under the criteria set out in Article 6, paragraph (2) of Commission Delegated Regulation (EU) 2021/923.

(3) By way of derogation from paragraphs (1) and (2) of this Article, provisions of Decision (EU) 2015/2218 of the European Central Bank of 20 November 2015 on the procedure to exclude staff members from the presumption of having a material impact on a supervised credit institution's risk profile (OJ L 314/66, 1.12.2015), as last amended by Decision (EU) 2022/368 of the European Central Bank of 18 February 2022 amending Decision (EU) 2015/2218 on the procedure to exclude staff members from the presumption of having a material impact on a supervised credit institution's risk profile (ECB/2022/6) (OJ L 69/117, 4.3.2022), shall apply *mutatis mutandis* to significant credit institutions referred to in Article 3, paragraph (1), items (153) and (154) of the Credit Institutions Act.

(4) The decision on the exclusion referred to in paragraph (1) of this Article shall be taken by the management board subject to the approval of the supervisory board.

(5) The Croatian National Bank shall decide on the request referred to in paragraph (1) of this Article in accordance with the powers referred to in Article 6 of Commission Delegated Regulation (EU) 2021/923.

Competences and responsibilities in the identification process of staff

Article 30

(1) In addition to the competences of the supervisory board referred to in Article 6 of this Decision, the supervisory board shall have the following competences in the identification process of a credit institution:

- 1) granting approval for the identification process policy to the management board;
- 2) ensuring that the assessment for the identification of staff is made in accordance with this Decision;
- 3) overseeing the identification process on an ongoing basis; and
- 4) approving any exclusion of staff in accordance with Article 6, paragraph (2) of Commission Delegated Regulation (EU) 2021/923.

(2) The remuneration committee shall be actively involved in the identification process for the purpose of preparing decisions on staff remuneration. The risk management, compliance, legal and human resources functions and other supervisory board committees shall participate in the identification process in line with their powers and responsibilities. Credit institution shall ensure a proper exchange of information among all participants included in the identification process.

(3) The internal audit function of the credit institution shall review the identification process and results.

Identification process on an individual and consolidated basis

Article 31

(1) A parent credit institution, a parent financial holding company, a parent mixed financial holding company or a designated entity in a group of credit institutions in the RC shall, on a consolidated and sub-consolidated basis, in accordance with Articles 134, 175 and 176 of the Credit Institutions Act, identify staff having a material impact on the group's risk profile by applying the criteria set out in Commission Delegated Regulation (EU) 2021/923 and on the basis of consolidated information. The qualitative criteria referred in Article 5 of Commission Delegated Regulation (EU) 2021/923 shall apply in the process of identifying staff members in a subsidiary if such staff members are responsible for the tasks referred to in these criteria on a consolidated or sub-consolidated basis.

(2) The parent credit institution, the parent financial holding company, the parent mixed financial holding company or the designated entity referred to in paragraph (1) of this Article shall ensure that all subsidiaries in the scope of the prudential consolidation, except the subsidiaries referred to in Article 176, paragraph (1) of the Credit Institutions Act:

- 1) implement group remuneration policy and actively participate in the identification process at group level; and
- 2) submit information necessary to perform the identification of staff at group level.

(3) The parent credit institution, the parent financial holding company, the parent mixed financial holding company or the designated entity referred to in paragraph (1) of this Article shall perform the identification process for subsidiaries which are not institutions or subsidiaries referred to in Article 176, paragraph (1) of the Credit Institutions Act on an individual basis, based on the information submitted by subsidiaries.

(4) Small and simple credit institutions included in the identification process on a consolidated basis, may delegate the identification process on an individual basis to the parent credit institution, the parent financial holding company, the parent mixed financial holding company or the designated entity referred to in paragraph (1) of this Article.

(5) Credit institutions which have their head office in the Republic of Croatia and are subsidiaries of a third-country parent credit institution and branches of third-country credit institutions shall notify their parent credit institutions of identification process results.

(6) Credit institutions shall perform the identification of staff in their its branch established in third countries by applying the criteria applied on an individual basis.

Risk alignment process with regard to variable remuneration

Article 32

(1) Credit institutions shall perform the risk alignment process with regard to variable remuneration during:

- 1) performance measurement;
- 2) variable remuneration award; and
- 3) variable remuneration payout.

(2) Credit institutions shall set appropriate qualitative and quantitative criteria for risk alignment with regard to variable remuneration. When setting the criteria, the credit institution's strategy, risk profile and risk appetite must be taken into account, as well as the results of a comparison performed with peer credit institutions.

(3) If, when setting the criteria referred to in paragraph (2) of this Article, credit institutions apply judgemental approaches, they shall:

- 1) set parameters on which the judgement is based;
- 2) document the risk alignment process;
- 3) involve control functions in the process; and
- 4) take measures to prevent any conflicts of interest.

Criteria for risk alignment with regard to variable remuneration

Article 33

(1) Quantitative criteria for risk alignment with regard to variable remuneration shall include indicators typically used by the credit institution for internal risk management purposes. In order to take into account all material risks, credit institutions shall rely on methods applied in their internal capital adequacy assessment and liquidity adequacy assessment processes in identifying and measuring risks.

(2) Qualitative criteria for risk alignment with regard to variable remuneration may include information on compliance with regulations and internal bylaws, internal audit results and findings and other similar criteria.

Criteria for performance adjustment

Article 34

(1) Credit institutions shall set appropriate qualitative and quantitative performance criteria for individual staff members, business units and the credit institution which do not incentivise excessive risk taking or mis-selling of products.

(2) Quantitative criteria for performance assessment may include risk-adjusted capital, liquidity and profit indicators, capital indicators based on the data from financial statements, data on risks from the internal capital adequacy assessment process, budgets of individual corporate functions, including the legal and human resources functions, and other similar indicators. Operating efficiency criteria such as net profits, total revenues or market indicators such as share price or return on equity are not typically taken into consideration as the only quantitative criteria for performance assessment.

(3) Qualitative criteria for performance assessment may include the achievement of strategic targets, customer satisfaction, adherence to the risk management policy, compliance with regulations, leadership, team work, creativity, motivation and cooperation with other business units, control and corporate functions and other similar criteria.

Performance measurement and assessment

Article 35

(1) The measurement of performance used to calculate variable remuneration components or the maximum amount of variable remuneration must include an adjustment for all types of risks to which the credit institution is or might be exposed and take into account the costs of the capital and the liquidity required. Where an exact quantification of risk exposure is difficult, for example in case of reputational or operational risk, risk assessment should be based on suitable proxies, such as risk indicators, capital requirements or scenario analysis.

(2) Where variable remuneration depends on performance, the total amount of variable remuneration of a staff member shall be based on a combination of the assessment of the performance of an individual (taking into account quantitative and qualitative criteria) and of the business unit concerned as well as on the overall results of the credit institution.

(3) Performance assessment must be set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of variable remuneration takes place during a period which takes into account the credit institution's business cycle and any risks that the credit institution is or might be exposed to in its operation.

Award of variable remuneration

Article 36

(1) Credit institutions shall set a maximum amount of variable remuneration for the period for which variable remuneration is awarded. Variable remuneration shall be awarded after the end of the assessment period, which shall be at least one year.

2) When setting the maximum amount of variable remuneration and awarding variable remuneration, credit institutions shall take into account all types of risks, expected and unexpected losses and the ratio between the variable and fixed components, the criteria for performance and risk assessment, control objectives and the financial situation of the credit institution, including its capital adequacy and liquidity. The performance indicators used by credit institutions to calculate the maximum amount of variable remuneration shall include long-term performance indicators and take into account the realised financial results.

Payment of variable remuneration

Article 37

(1) Prior to paying out variable remuneration, credit institutions shall perform a re-assessment of performance in order to adjust variable remuneration to any additional risks that may have been identified after variable remuneration award.

(2) The variable remuneration, including the deferred portion, shall not be paid or vested unless it is sustainable and justified. Variable remuneration shall be considered sustainable if its payment does not jeopardise the credit institution's financial situation and the safety and stability of the credit institution's operation. Variable remuneration shall be considered justified if it is based on the performance of the credit institution, the business unit and the individual staff member concerned.

Variable remuneration reduction

Article 38

1) Credit institutions shall considerably reduce total variable remuneration if it comes to considerable deterioration in or to the negative financial performance of the credit institution. All of the following forms of reducing remuneration shall be taken into account:

- 1) reduction in the remuneration for the current business year;
- 2) reduction in payouts of remuneration previously awarded, but deferred and not yet paid (application of a malus clause); and
- 3) subsequent reduction in payouts of remuneration previously awarded and paid (application of a clawback clause).

(2) Variable remuneration shall in its entirety be subject to reduction by the application of malus and clawback clauses. Variable remuneration can be reduced by 100% by the application of malus and clawback clauses.

(3) In their remuneration policies and contracts with staff members, credit institutions shall define in detail the conditions under which malus and clawback clauses are applied and shall include at least the following cases:

- 1) a staff member has participated in activities that created significant losses for the credit institution or was responsible for such activities;
- 2) a staff member has failed to meet the prescribed or internally set suitability standards;
- 3) there is evidence of misconduct or serious error by the staff member;
- 4) the credit institution or the business unit in which the staff member works has subsequently suffered a significant downturn in its financial performance;
- 5) the credit institution or the business unit in which the staff member works has suffered a significant failure of risk management;
- 6) there has been a significant increase in the credit institution's capital requirements; and
- 7) supervisory measures have been imposed and the staff member's conduct contributed to the imposing of supervisory measures.

(4) Developments in the prices of shares or instruments related to shares shall not constitute a criterion for the application of malus and clawback clauses.

III.3 SPECIFIC REQUIREMENTS ON THE REMUNERATION POLICY FOR CREDIT INSTITUTIONS NOT SUBJECT TO EXCLUSIONS ON DEFERRAL AND PAYMENT OF VARIABLE REMUNERATION IN INSTRUMENTS

Variable remuneration deferral

Article 39

(1) Credit institutions shall defer a substantial portion of the variable remuneration component over an appropriate period of time and ensure that variable remuneration deferral is in line with the nature of the credit institution's operations, its operational risks and individual staff member's tasks.

(2) The length of the deferral period and the portion of variable remuneration to be deferred shall be set according to:

- 1) the powers and responsibilities of staff members and the tasks they perform;
- 2) the nature, scope and complexity of the credit institution's operations;
- 3) the credit institution's business cycle;
- 4) expected fluctuations in the credit institution's economic activity and operations and the impact of staff on these fluctuations;
- 5) the risks to which the credit institution and business unit is or may be exposed to; and
- 6) the approved ratio between the variable and fixed components of total remuneration, the absolute amount of variable remuneration and the amount of risk which an individual staff member may assume.

(3) Credit institutions must be able to use malus and clawback arrangements up to the a 100% of total variable remuneration irrespective of the method of payment, including retention and deferral arrangements.

(4) Credit institutions shall defer at least 40% of the variable remuneration component. Exceptionally, in the case of a variable remuneration component of a particularly high amount, credit institutions shall defer at least 60% of the variable remuneration component.

(5) For the purposes of paragraph (4) of this Article, credit institutions shall define a particularly high amount of variable remuneration by taking into account the average remuneration paid within the credit institution, remuneration trends and practices at the level of the banking system in the Republic of Croatia and other remuneration benchmarking results.

(6) Variable remuneration in the amount of EUR 400 000 on an annual basis or variable remuneration which amounts to or exceeds 100% of fixed remuneration on an annual basis shall be considered a particularly high amount.

(7) The length of the deferral period for the variable remuneration component shall not be shorter than four years. For members of the management board, the supervisory board and senior management the deferral period shall not be shorter than five years.

(8) The remuneration payable under deferral arrangements shall be paid or shall vest in its entirety at the end of the deferral period or on multiple occasions during the deferral period by applying the principle of a pro-rata basis. The principle of a pro-rata basis requires that when remuneration is deferred over an n number of years, starting from the end of the assessment period, remuneration paid at the end of each year starting from the end of the assessment period equals the deferred remuneration multiplied by 1/n.

(9) Credit institutions shall not pay deferred remuneration more often than once a year. Credit institutions may pay the first portion of deferred remuneration at least one year after the beginning of the deferral period.

Award of variable remuneration in instruments

Article 40

(1) Credit institutions shall pay a substantial portion of the variable remuneration component, the deferred and the non-deferred part, in the form of instruments. The portion of the variable remuneration component to be paid in the form of instruments shall be determined in accordance with the position and responsibilities of the staff member concerned, the amount of variable remuneration payable to that staff member and the amount of risks the staff member may take.

(2) At least 50% of any variable remuneration shall consist of instruments.

(3) To meet the requirements set out in this Decision, credit institutions may use the following instruments:

- 1) ordinary shares of the credit institution;
- 2) instruments linked to ordinary shares of the credit institution
- 3) ordinary shares of a credit institution which is a direct or indirect parent of the credit institution that meets the requirements referred to in this Decision;
- 4) instruments linked to ordinary shares of the credit institution referred to in item (3) of this paragraph and
- 5) instruments referred to in Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014 supplementing Directive (EU) No 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration (OJ L 148/21, 20.5.2014).

(4) In accordance with Article 202 of the Credit Institutions Act, credit institutions may use the instruments referred to in paragraph (3), items (1) and (4) of this Article.

(5) If possible, for the purposes of the requirements set out in this Decision, credit institutions shall use an appropriate ratio of the instruments referred to in paragraph (3), items (1) to (4) of this Article and the instruments referred to in paragraph (3), item (5) of this Article.

(6) Instruments shall be priced at the market price or their fair value on the date of the award of these instruments. This price is the basis for the determination of the initial number of instruments and for later possible reduction in the number of instruments or their value.

(7) Credit institutions shall not pay any amount based on dividend or interest on instruments before vesting.

Retention

Article 41

(1) Credit institutions shall establish an appropriate retention policy regarding instruments, designed to align incentives with the longer-term interests of the credit institutions, whereby the retention policy shall be applied to both the deferred and the non-deferred variable remuneration.

(2) When setting the retention period, credit institutions shall consider the overall length of the deferral and the planned retention period as well as the impact of the category of staff on the credit institution's risk profile and the length of the business cycle relevant for the category of staff.

(3) The length of the retention period shall not be shorter than six months of the date of vesting for each non-deferred and deferred portion of remuneration. For members of the management board the retention period shall not be shorter than one year.

(4) After the end of the deferral and the retention period, staff may sell or access the instruments concerned.

Discretionary pension benefits

Article 42

(1) Credit institutions shall align the payment of discretionary pension benefits with their business strategy, objectives, values and long-term interests.

(2) In case of termination of a contractual relationship when a staff member leaves the credit institutions without retiring, the credit institution shall convert the amount of discretionary pension benefits into instruments. These instruments shall not be vested until the expiry of a period of five years, counting from the date on which the staff member left the credit institution.

(3) In case of termination of a contractual relationship when a staff member leaves the credit institution to retire, discretionary pension benefits shall be paid to the staff member in the form of instruments subject to a five-year retention period.

Exemptions for small remuneration

Article 43

(1) Credit institutions shall not be required to apply the provisions of Articles 39 to 42 of this Decision to small remuneration of staff members in accordance with the provisions of Article 200, paragraph (2) of the Credit Institutions Act.

(2) In their remuneration policy, credit institutions may prescribe a threshold that is in both absolute and relative terms lower than the threshold prescribed in this Article.

IV REMUNERATION IN CASE OF EXTRAORDINARY PUBLIC FINANCIAL SUPPORT

Remuneration in case of extraordinary public financial support

Article 44

(1) When implementing their remuneration policies, credit institutions receiving extraordinary public financial support shall apply the rules governing government support to the financial sector in the European Union.

(2) In the case of credit institutions benefiting from extraordinary public financial support, credit institutions shall assess the impact of variable remuneration on:

- 1) the maintenance of an adequate level of capital;
- 2) the timely repayment of the funds received; and
- 3) the objectives of the restructuring plan.

(3) If the assessment shows that variable remuneration has a negative impact on the requirements referred to in paragraph (2) of this Article, credit institutions shall strictly limit variable remuneration as a percentage of their net revenue.

(4) No variable remuneration shall be awarded and paid to management and supervisory board members of a credit institution that received extraordinary public financial support, unless proven justified.

(5) By way of derogation from paragraph (4) of this Article, variable remuneration may be paid to management board or supervisory board members who received prior approval from the Croatian National Bank for a member or a chairperson of the management board or a supervisory board after the credit institution asked for extraordinary public financial support, provided that all other requirements referred to in paragraph (2) of this Article have been met.

(6) The Croatian National Bank may require credit institutions that received extraordinary public financial support to restructure variable remuneration in a manner aligned with sound risk management and long-term growth, including a limitation of the amount of the credit institution's net revenue that may be used in determining and paying out variable remuneration.

(7) The restructuring of variable remuneration referred to in paragraph (6) of this Article shall imply the following measures:

- 1) establishing limits to the remuneration of management and supervisory board members of the credit institution;
- 2) prohibiting the payment of variable remuneration for the financial year in which extraordinary public financial support was asked for;
- 3) reducing previously determined variable remuneration which was deferred and not yet paid or vested;
- 4) prohibiting the determination of any variable remuneration until the final repayment of extraordinary public financial support or until a financial recovery plan for the credit institution is implemented or accomplished;
- 5) aligning performance criteria with the results of the credit institution in achieving the objectives provided for by the restructuring plan and the contribution of identified staff in that regard;
- 6) increasing the percentage of deferred variable remuneration up to 100%;
- 7) aligning the assessment and deferral periods for variable remuneration with the deadlines for achieving the objectives provided for by the restructuring plan; or
- 8) other similar measures.

V DOCUMENTATION KEEPING AND HIGH REMUNERATION

Documentation keeping and high remuneration

Article 45

(1) Credit institutions shall ensure the integrity of the documentation related to staff remuneration, including:

- 1) the remuneration policy and possible procedures for its implementation;
- 2) decisions of the supervisory board referred to in Article 6, paragraph (2) of this Decision;
- 3) decisions of the management board regarding staff remuneration which are not referred to in Article 6, paragraph (2), item (3) of this Decision;
- 4) the report referred to in Article 10, paragraph (6) of this Decision;
- 5) the methodology and the results of performance measurements in determining the variable remuneration of identified staff; and
- 6) the methodology for setting the maximum amount of variable remuneration awarded to staff for a particular assessment period, including the determining of the maximum ratio between the variable and fixed components of total remuneration referred to in Article 21 of this Decision.

(2) At the request of the Croatian National Bank, credit institutions shall explain the manner in which they performed the following activities and submit all relevant documentation:

- 1) the risk alignment process with regard to variable remuneration referred to in Article 32 of this Decision;
- 2) allocation of allowances to the fixed remuneration component referred to in Article 15 of this Decision;
- 3) award of retention bonuses for particular staff members within the meaning of Article 18 of this Decision;
- 4) payout of severance pay, the adequacy of the awarded amount and the criteria applied in the determination of the amount of severance pay within the meaning of Article 17 of this Decision;
- 5) the development of the gender pay gap referred to in Article 10, paragraphs (9) and (10); and
- 6) other similar activities proving that the remuneration policy and practices are consistent with effective risk management.

(3) With regard to staff members whose total annual remuneration in a financial year amounts to or exceeds one million euro, credit institutions shall report to the Croatian National Bank, in separate remuneration brackets of one million euro:

- 1) on the number of such staff members;
- 2) on the description of job positions and responsibilities of such staff members;
- 3) on the business areas in which such staff members are employed; and
- 4) on the amount of the total remuneration of such staff members allocated to the fixed remuneration component, the variable remuneration component payable in cash, instruments, discretionary pension benefits and other remuneration.

VI TRANSITIONAL AND FINAL PROVISIONS

Entry into force and application

Article 46

(1) On the date of the entry into force of this Decision, the Decision on staff remuneration (Official Gazette 31/2017, 57/2017, 4/2021, 145/2021 and 51/2023) shall cease to have effect.

(2) This Decision shall be published in the Official Gazette and shall enter into force on the eighth day after the day of its publication.

(3) Credit institutions shall adjust their policies and procedures to the provisions of this Decision by 30 June 2026 at the latest.

No.: 101-091/03-26/BV
Zagreb, 13 March 2026

Boris Vujčić

Governor