# GROUP POLICY

# Remuneration Policy

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## 1. INTRODUCTION

This Policy aims to set up a remuneration regime consistent with the objectives of the institution's business and risk strategy, including environmental, social and governance (ESG) risk-related objectives, corporate culture and values, risk culture, including with regard to long-term interests of the institution, and the measures used to avoid conflicts of interest, and should not encourage excessive risk taking.

This Policy aims to provide for an effective framework for performance measurement, risk adjustment and the linkages of performance to reward.

This Policy also aims to help the Bank attracting, retaining and motivating its talents.

Furthermore, This Policy is set up with the intention of protecting the interests of the clients of the Bank.

The directives, laws, guidelines, circulars of reference are the following:

The Policy is compliant with the requirements on remuneration policies and practices in the financial sector that have been defined by the European and the Luxembourg regulators, in particular:

- Directive (EU) 2019/878 (CRD V) 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;
- Regulation (EU) 2019/876 of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012;
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)
- Final report on Guidelines on sound remuneration policies under Directive 2013/36/EU, published by the European Banking Authority (EBA) on July 2, 2021;
- EU Commission Delegated Regulation 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU and specifying qualitative and quantitative criteria related to the definition of the Identified Staff;
- EBA Guidelines GL/2016/06 on remuneration policies and practices related to the sale and provision of retail banking products and services;
- The Law of 5 April 1993 on the financial sector, as modified (the "LSF");
- All the opinions, guidelines and RTS of the European Banking Authority and CSSF Circulars related to remuneration, incl. Circulars 15/622 and 22/797.
- The CSSF Circular 12/552 on central administration, internal governance and risk management.
- ESMA Guidelines on remuneration policies and practices (MiFID) ESMA/2013/606,

## 2. DEFINITION

| | |
|---|---|
| Award | means the granting of variable remuneration for a specific accrual period, independently of the actual point in time where the awarded amount is paid. |
| Bonus pool | means the maximum amount of variable remuneration which can be awarded in the award process set at the level of the institution or an institution's business unit. |
| Clawback | means an arrangement under which the staff member has to return ownership of an amount of variable remuneration paid in the past or which has already vested to the institution under certain conditions. |
| Deferral Period | 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. |
| Fixed remuneration | means payments or benefits for staff which comply with the conditions for its award |
| Gender pay gap | means the difference in pay between men and women, both for the same role as well as general wages. |
| Identified staff | means staff whose professional activities have a material impact on the institution's risk profile |
| Malus | means an arrangement that permits the institution to reduce the value of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested. |
| Remuneration | means all forms of fixed and variable remuneration and includes payments and benefits, monetary or non-monetary, awarded directly to staff by or on behalf of institutions in exchange for professional services rendered by staff |
| Retention bonus | means variable remuneration awarded on the condition that staff stay in the institution for a predefined period of time. |
| Retention period | means a period of time after the vesting of instruments which have been awarded as variable remuneration during which they cannot be sold or accessed. |
| Severance payment | means payments relating to the early termination of a contract. |
| Upfront payments | means payments which are made immediately after the accrual period and which are not deferred. |
| Variable remuneration | means all remuneration which is not fixed. |
| Vesting | means the effect by which the staff member becomes the legal owner of the variable remuneration awarded, independent of the instrument which is used for the payment or if the payment is subject to additional retention periods or clawback arrangements |

## 3. SCOPE

This Policy applies to Banque Havilland S.A. Luxembourg, as well as its subsidiaries and branches ("the Banque Havilland Group").

Questions about the Policy and its application should be directed to the Owner.

Any changes to the Policy must be approved by the Management Committee and by the Board of Directors (i.e. under recommendation of the relevant specialized committee).

Lack of adherence to the Policy may lead to disciplinary actions.

## 4. GROUP CONFORMANCE AND EXCEPTION PROCESS

All entities of the Group must, as a minimum, meet the requirements of this Policy. In any country where the requirements of applicable legislation, directives or practices establish a higher standard, the corresponding entities must meet those standards.

In the event that the requirements of this Policy cannot be met, due to conflict with local laws or regulations in a particular jurisdiction or any other reason, the Owner of the Policy (**Group Head of HR)** must immediately be notified by the relevant entity before the validation by its Board of Directors of the "exception to Policy request" (the "Exception Request").

The Owner shall review each Exception Request and, if accepted by him, report it to the Group Board of Directors ("BOD") when the Owner considers the impact is significant. The exception to the Policy may be implemented under the responsibility of and instructions from the relevant local authorized body.

## 5. REACH OF THE POLICY AND ESCALATION PROCESS

Where a breach or potential breach of the Policy has been identified and could constitute a problematic case, as defined by the Escalation Policy, the escalation protocol as outlined in that policy must be followed.

## 6. PROPORTIONALITY PRINCIPLE

In the light of the analysis of the articles 85 to 88 of the EBA Guidelines/2021/04 and the application of articles 92 (2) and 94 (3) of Directive 2013/36/EU as amended, as performed by the Risk Function, the Bank falls into the scope of the proportionality principle "among institutions".

Indeed, the bank is not a large institution (as defined in point (146) of article 4(1) of Regulation (EU) No 575/2013) and the value of its assets is, on average and on an individual basis, less than EUR 5 billion over the four-year period immediately preceding the current financial year.

Thus the Bank does not apply in its variable remuneration process the requirements set out in points (l), (m) and the second paragraph of point (o) of paragraph 1 of article 94 of Directive 2013/36/EU.

The results of the proportionality analyses will be reported on a yearly basis to the Nomination and Remuneration Committee.

## 7. IDENTIFIED STAFF

The Bank has the responsibility to identify the members of staff **whose professional activities have a material impact on the Bank's risk profile.**

The Bank **conducts annually a self-assessment** in order to identify all staff whose professional activities have or may have a material impact on the institution's risk profile. The identification process is part of the overall remuneration policy of the institution.

The self-assessment is based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) No 604/2014.

**Appendix 1 provides the details of the mentioned analysis.**

## 8. CORE PRINCIPLES OF THE REMUNERATION POLICY

The principles laid out in this document will form the basis for the implementation of the Performance Appraisal and Remuneration Procedures for the Bank.

### 8.1 General Principles

- **All recruitment of new employees must be approved by Member of the Management Committee (or the relevant governing body in the entities) in charge of the Function.**
- **All terms and conditions** governing the employment and remuneration of new personnel must be approved by the Member of the Management in charge of the Function in line with this Policy.

- **The overall bonus envelope** must be approved by the Board, upon recommendation of the Group Nomination and Remuneration Committee.
- **Any recruitment of directors, Member of the Management Committee, key function holders or of new employees receiving more than EUR 150.000 of fixed remuneration, any changes to existing employment contracts over EUR 150,000 of fixed remuneration** must be approved by the Management Committee (or the relevant governing body in the entities) and by the Board, upon recommendation of the NRC.
- **Recruitment and evaluation processes must be designed and exercised to avoid conscious or unconscious biases and thrive towards equal and fair treatment.**

### 8.2 Diversity, Gender Pay Gap (GPG) and remuneration policy neutrality (Equal pay)

The Remuneration Policy reflects gender neutrality principles to ensure equal treatment regardless of gender and any other form of diversity, basing evaluation and remuneration criteria exclusively on professional ability. Banque Havilland S.A. is committed to offering remuneration in line with the market, which reflects each employee's role, capabilities contribution to company performance objectively measured, and professional experience, skills and education thus guaranteeing that the principle of equal opportunities is applied in practice.

Banque Havilland S.A. is committed to offer equal pay for male and female workers for equal work or work of equal value.

With reference to inclusion, Banque Havilland guarantees that all its collaborators are treated without distinction, exclusion, restriction or preference, whether direct or indirect, based on their: age, gender, sexual orientation, civil status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy, maternity or paternity (including as a result of adoption), personal convictions, political opinions, and/or trade union affiliation or activities.

The Board of Directors, respectively the NRC, aims to improve the representation of the underrepresented gender among the identified staff members personnel in management positions in accordance with the Delegated Regulation 2021/9233

In its regular review of the policies in force, the Board of Directors analyses the gender neutrality of the Remunerations Policy, examining the gender pay gap in particular and its development over time.

### 8.3 Avoidance of conflicts of interest

Conflicts of interests with regard to the remuneration policy and remuneration awarded are identified and appropriately mitigated, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. The Bank ensures that no material conflicts of interest arise for staff, including for staff in control functions.

The Bank ensures that potential conflicts of interest caused by the potential pay out of instruments as part of the variable or fixed remuneration are identified and managed.

Please refer to the Group policy Conflicts of Interest for further details.

### 8.4 Fixed Remuneration

- For all employees the **fixed component is the main component of the remuneration package.**

- Base salary levels are set on the assumption that the employee may not receive a bonus and this is the sole source of income.

- Base salary levels are intended to compensate an employee based on their level of responsibility and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent positions in Luxembourg, normally validated through one of the annual salary surveys.

- Fixed salary is reviewed on an annual basis following the appraisal of the employee's performance over the course of the year and is based on prevailing market and other individual circumstances

### 8.4.1 Components of the Fixed Remuneration

The fixed component of the employee remuneration (Fixed Remuneration) encompasses the following elements:

- Base Salary;
- Fringe benefits including lunch vouchers and the pension scheme established separately by the Bank;
- It is also to be noted that the Bank may, at its own discretion, offer additional fringe benefits its employees such as parking places, leasing cars, mobile phones, laptop (non-exhaustive list).

The Fixed Remuneration of each employee is defined in the employment contract, also based on the Collective Agreement when the employee is within the Convention. The Fixed Remuneration comprises the monthly fixed base salary and the fringe benefits which are defined for the given position within the Bank.

The Fixed Remuneration is provided to each employee as primary means to provide compensation for the execution of the tasks or function each employee is assigned for as well as to reflect the seniority and responsibilities of each employee's position.

The Fixed Remuneration is determined on the basis of benchmarking and comparisons of compensation levels and set at a level which guarantees the employee's standard of living. The employee's fixed remuneration is compared with the remuneration of other employees in similar position and with corresponding experience in the same sector in Luxembourg.

The range of fringe benefits potentially available to employees may vary, based on the position and/or the seniority and/or the length of service and/or other circumstances.

These benefits are mainly composed of, but not limited to, luncheon vouchers, supplementary pension schemes with a local pension provider, company car, death/invalidity and health insurances.

### 8.4.2 Other Remuneration Types

#### Severance Pay

The Bank does not offer guaranteed exit packages. In cases of early termination of a contract, the Bank will only make severance payments which are in accordance with the provisions of the applicable employment law. In addition any severance payment should reflect performance achieved over time and should not reward failure or misconduct.

The amount of severance payments awarded during the financial year that are disclosed have to be splited into paid upfront and differed.

Severance payments in the framework of a settlement agreement to prevent a potential labour dispute or end an actual labor dispute might be considered to avoid a long and costly procedure in labour courts.

All rewards should be based on good (not failed) performance that is evidenced and in line with the Luxembourg Law and the EBA guidelines.

Severance payments for the identified staff will be first assessed by the Risk Management and Compliance, and then authorized by the Board of Directors upon assessment of the Nomination and Remuneration Committee

#### Guaranteed variable remuneration

Guaranteed variable remuneration is exceptional, occurs only when hiring new staff (sign-on bonus), and is limited to the first year of employment. Otherwise guaranteed variable remuneration is not authorized since it is not consistent with sound risk management and the pay-for-performance principle applied by the Bank. Guaranteed remuneration is not part of prospective remuneration plans.

***Buy out bonuses***

Variable Remuneration relating to compensation for the buy-out from a prior employment contract, if ever paid, shall align with the long-term interests of the Bank.

***Risk-Adjusted Remuneration, Malus and Clawback Provisions***

The profit-based variable compensation paid out to Material Risk Takers is subject to ex-ante and to ex-post risk adjustment measures.

**<u>Ex-ante</u>**

The NRC will take into account the performance of the department of the employee, the Bank's overall results as well as non-financial criteria of the employee while setting any discretionary bonus.

The variable remuneration is granted according to the financial situation of the Bank as a whole, and justified on the basis of the performance of the Bank, the business unit and the individual concerned.

Subject to employment law, the granting of the total variable remuneration might considerably be reduced where subdued or negative financial performance of the Bank occurs. This does not apply to pay-outs of amounts previously earned and granted, apart from the malus or clawback arrangements as set out herein.

**<u>Ex-Post</u>**

As an ex-post risk adjustment mechanism, in certain circumstances the Bank is entitled to retain, reduce or eliminate variable remuneration awarded to any employee (malus) or reclaim amounts already paid out (clawback) up to 100% of the total variable remuneration.

The malus or/and clawback arrangements are applied regardless of the method used for the payment, including deferral arrangements.

Malus and/or clawback arrangements are in particular applied in cases of fraud or other conduct with intent or gross negligence which led to significant losses to the Bank or failure to meet appropriate fit and proper standards.

In any case, there must be reasonable evidence that the employee’s intentional or gross negligent conduct is causally related to the Bank’s losses or failure to meet appropriate standards. Malus and/or clawback arrangements are applied for a period of three years after the date at which the (upfront part of) awarded variable remuneration is paid.

The Group Head of HR has the sole discretion to recommend to the NRC/ BOD a malus / clawback on specific individual cases.

***Sign up bonus***
Sign up bonus “Welcome bonuses” are granted in the context of recruiting of new employees will remain extraordinary and can be offered only during the first year of employment.

***Retention bonus***
According to EBA/GL/2021/04 article 8.4, employees might be awarded with a retention bonus, subject to a permanence condition, a performance condition and the absence of malus event, as detailed above. Retention bonus is payable only when retention and performance conditions are justified.

***Legitimacy***
The Bank must specify the legitimate interest in awarding retention (restructurings, in wind-down, or to ensure the finalisation of major projects,…). The Bank will document the event or justification that made it necessary to award a retention bonus and the time period, including the start and the end date, for which the reason is assumed to exist.

***Performance***
The performance conditions must differ from the performance conditions applied to other parts of the variable remuneration and must include a retention condition. Retention bonuses should not lead to a situation where the total variable remuneration, consisting of performance-related variable remuneration and retention bonus, of the staff member is no longer linked to the performance of the individual, the business unit concerned and the overall results of the institution as required under Articles 92(2)(g)(ii) and 94(1)(a).

***Permanence***
The Bank must specify a retention period and a date or event after which it determines whether the retention and performance conditions have been met.

***Calculation***
Retention bonuses will always be considered as variable remuneration for the purposes of calculating the upper limits of variable remuneration. The retention bonus can be split into annual amounts for each year of the retention period calculated on a linear pro rata basis or the full amount of the retention bonus can be considered in the year when the retention condition is met.

***Personal Hedging***

Employees shall undertake not to use personal hedging strategies or other countermeasures (such as insurances) to undermine the risk alignment effects embedded in their remuneration arrangements.

***Avoidance strategies***

Variable remuneration is not paid through vehicles or methods that facilitate the non-compliance with the CRD IV Luxembourg Law.

## 8.5 Variable Remuneration

### *8.5.1 Variable pay*

The Bank may reward its employees through variable pay. This is designed to attract, retain and motivate its staff without encouraging the taking of inappropriate risk. Performance based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk taking.

The variable component of the remuneration is in the form of a **discretionary bonus** for certain individuals derived from a predetermined **bonus pool.**

The discretionary bonus is not a contractual obligation and the Bank reserves the right to withhold incentives.

The purpose of the discretionary bonus is to annually reward and incentive excellent performance and to align the success of the Bank with the pay of the employees.

### *8.5.2 Proportion of variable remuneration vs fixed remuneration per employee category*

This table gives an indication of the proportion of the variable remuneration vs fixed remuneration per employee category.

Indeed the Bank has to implement remuneration policies in compliance with the specific provisions in a way that is appropriate for the category of staff, e.g. it can be appropriate that the remuneration policy sets out different **maximum ratios for the variable remuneration categories of identified staff as their impact on the risk profile during the business cycle differs.**

| Category of Employee | Indication of proportion of variable remuneration vs fixed remuneration |
|---|---|
| Board of Directors | 0 % |

| | |
|---|---|
| Management Committee Members | 0 – 200 % |
| Other Material Risk Takers | 0 – 150 % |
| Non Material Risk Takers | 0 – 100 % |

As stated in recital 65 of the CRD and point 91 of the Guidelines EBA/GL/2021/04 on sound remuneration, the limitation of the variable remuneration to 100% of the fixed remuneration (200% with shareholders' approval) should be applied in any case.

According to the CSSF circular 15/622, the CSSF has to be informed on an annual basis of any approval by Bank's shareholders of a higher maximum level of the ratio between the fixed and variable components of remuneration exceeding 100%. This notification process consists of two separate steps; one declaration for the recommendation of the application of a higher ratio submitted to the shareholders (up to 200%), the second for the decision regarding the approved higher maximum ratio (without delay).

The **discretionary bonus will be capped for** all employees:

- For the Management Committee, the discretionary bonus will not exceed 2 times the fixed annual salary.
- For other Material Risk Takers, the discretionary bonus will not exceed 1,5 times the fixed annual salary.
- For Non Material Risk Takers, the discretionary bonus will not exceed 1 time the fixed annual salary.

The Bank outlines that the maximum ratios above are indicated for regulatory purposes and are not representative of what the Bank applies or intends to apply.

#### *8.5.3 Assessment Criteria for Variable Remuneration*

When assessing whether or not a bonus will be paid to employees there are two levels of criteria that will be considered:

a) Institutional
b) Individual

Within each category, the criteria are a combination of qualitative and quantitative elements relevant to the role.

*a) Institutional Performance Criteria*

The bonus pool will be based primarily on an assessment of the **Bank's overall performance, measured both on quantitative and qualitative criteria; criteria (such as Bank's profitability, Bank's projects achievement, Bank's reputation, employees turnover, ESG commitments positive evolution, etc… as monitored i.a. through the evolution of the Bank's risk appetite indicators) .**

Non-financial ESG objectives have also been set for these figures, with a focus on People Strategy issues (diversity, training, succession planning, work/life balance), possibly also structured as projects.

**These criteria will be reviewed on a yearly basis, approved by the Board at the recommendation of the Nomination & Remuneration Committee and form the "Institutional scorecard".**

**The control functions will be involved in the process to ensure that risk, capital and liquidity limits are not negatively impacted by the level of bonus pool selected.**

For the purposes of annual budgeting, the bonus pool accrual is approved during the last board meeting of the previous year. The bonus pool shall include an adjustment for current and future risk, cost of capital employed and liquidity required.

According to the EBA Guidelines (EBA/GL/2021/04), the Bank determine the bonus pool and variable remuneration to be awarded based on an assessment of performance and risks taken.

The adjustment for risks before the award is made ('ex ante risk adjustment') based on risk indicators determined by the Risk Department and ensure that the variable remuneration awarded is fully aligned with the risks taken.

Adjustments are considered when a breach on the risk appetite framework is produced due to decision of the Management Committee.

b) *Individual Assessment Criteria*

All individuals agree performance criteria and objectives with their line managers for the year. These criteria will be a balanced combination of financial (e.g. growth in AUM) and non-financial KPIs (e.g. compliance with systems and controls) that reflect the business strategy and risk profile of the Bank.

**These criteria will be reviewed on a yearly basis, approved by the Board at the recommendation of the Nomination & Remuneration Committee and form the "individual scorecard".**

The decision to allocate a bonus to an individual shall be based on employee performance as well as the overall results of the financial undertaking. The assessment of the performance shall be effected over a multi-year framework in order to ensure that the assessment is made in view of the long term performance of the individual and that the payment is made over the business cycle of the undertaking.

Where it is appropriate, poor performance in the non-financial variables should override good performance in terms of profit generation, i.e. in the case of unethical or non-compliant behaviour a bonus will not be allocated.

**"Compliance, Risk and Governance" objectives** will account for at least 30% of the scorecards for all staff members.

The short-term incentive scheme for senior figures also may include - where and if appropriate - the presence of quantitative, measurable ESG indicators.

**The integration of sustainability risks** transpires from the scorecard defined for all employee at several levels:

- "Maintain a strong Internal Control Framework": our Management Members and Heads of Departments should cascade to their teams "Tone from the top" messages including sustainability objectives and sustainability risks consideration
- "Maintain a solid 3 lines of defence": employees having a FLOD or 2LOD role should take into account in their controls all risks relevant to the Bank, as defined in the Risk Appetite Statement including sustainability risks
- "Attract, retain and develop all talents" : equal treatment, equal opportunities, and diversity principles are included into this objective

There will be considerations for each category of employee dependent on the level of risk applicable to the role:

***Members of the Management Committee***

All members will have a scorecard deriving from the Bank's strategic priorities, with personalized weighting depending on their area of responsibilities.

These scorecards will be approved every year by the Board as recommended by the NRC. They will be assessed every year by the Board as recommended by the NRC.

***Material Risk Takers***

The Bank identifies material risk takers who have a material impact on the Bank and are subject to additional rules.

For Material Risk Takers it will be even more important to balance out the weighting of Qualitative and Quantitative criteria.

It is natural that this category of staff will be evaluated on their ability to generate revenue for the Bank and they should be motivated to do so. Each person falling into this category will agree specific financial targets with their line managers that are appropriate to their ability, and that fits to the Bank's overall Business Plan.

With regard to the non-financial performance criteria, these are deemed equally important in the current internal and external environment. For the Bank it is important to develop its staff in line with the new strategy of high quality service delivery as well as manage its risk in light of the economic situation. With this in mind, the weighting of financial and non-financial criteria should be close to equal with a slight weighting towards the non-financial – qualitative should always override quantitative criteria.

***Control Functions***

Heads of Internal Control Functions should be assessed by the NRC/Board of Directors with input from the Authorized Manager in charge of the Internal Control Function, and input from the Chair of the ARC Committee to ensure the independence in the assessment process.

The remuneration of the employees in control functions should allow the institution to employ qualified and experienced personnel in these functions. Their remuneration should be predominantly fixed, to reflect the nature of their responsibilities.

The methods used for determining the variable remuneration of control functions, i.e. risk management, compliance and internal audit function, should not compromise staff's objectivity and independence.

Where control functions' staff receive variable remuneration, it should be appraised and the variable part of remuneration determined separately from the business units they control, including the performance which results from business decisions (e.g. new product approval) where the control function is involved.

Their variable remuneration is based on the quality and volume of the work performed and on the performance of the institution as a whole independently of any financial consideration linked to the business they control.

The criteria used for assessing the performance and risks should predominantly be based on the internal control functions objectives.

Relevant Persons:

A relevant person is being defined in the EBA Guidelines GL 2016/06 as any natural person who is:

a) directly offering or providing banking products or services to consumers (i.e: our RMs)
b) directly or indirectly managing a person referred to in point (a), i.e our Head of Private Banking

For the purpose of evaluating the performance of a relevant person, the Bank use the appropriate criteria taking into account the rights and interests of consumers.

These criteria will be both qualitative and quantitative, and will not promote the offer or provision of a specific product or category of products over other products.

The ratio between the fixed and variable components of the remuneration is appropriately balanced and takes into account the rights and interests of consumers.

In addition, organisational measures adopted in the context of the launch of new products or services appropriately take into account the remuneration policies and practices and the risks that these products or services may pose in terms of conduct of business and conflicts of interests.

#### *8.5.4 Award Process for Bonus Allocation*

The bank will use a combination of a top down and bottom up approach to determine the bonus pool and to ensure that the final result reflects the reality of the external environment as well as the real performance of the Bank from both a financial and non-financial perspective.

*Part 1: Setting the bonus pool – Bank level*

Following an assessment of the overall performance of the bank against the scorecard, the Board will make a decision as to whether or not a bonus will be paid in that financial year.

**The bonus pool must first be established by the Board of Directors of the Bank** following a review of the Group results against the key criteria as mentioned earlier. This will be done **towards the year end**.

*Part 2: Setting the bonus pool – Department & individual level*

The Board will be responsible for determining any allocation to the Members of the Management Committee and Heads of Internal Control Functions. **This will be done towards the year end.**

For all the other employees, following the performance appraisal process in the Bank each business unit manager will submit to the Management Committee their recommendations for employees who should receive a bonus allocation for the year.

The Management Committee will consider these recommendations and allocate bonus pools to each business unit. The total pools shall not exceed the total amount approved by the Board (Part 1) at the Bank level.

The business unit manager are then responsible for distributing the bonus pool among their staff based of the performance appraisals. **This will be done in the first quarter of the following year.**

*Part 3: Bonus Payment*

The Human Resources department will be responsible for generating the bonus letters with the terms of the bonus. A copy of the letter will be kept on the HR file of the individual concerned.

## 9. GOVERNANCE

### 9.1 Role of the Management Committee

The Management Committee is responsible for:

- Overseeing the implementation of the present Remuneration policy.
- Reviewing the Policy every year to ensure it is in line with the business strategy and risk profile of the Bank
- Fostering a sound control environment over remuneration activity.
- Continuously monitoring the soundness and operating effectiveness of the remuneration control environment.
- Communication to all staff of the remuneration policy.

### 9.2 Role of the Control Functions

The Group Heads of internal control functions must give their consent for any recruitment, dismissal and significant decisions regarding the remuneration of the heads of the control functions in the entities.

The Group Heads of internal control functions participate to the job description and the definition of the objectives of the Local Head of their respective functions, in line with the local CEOs.

They also participate to their yearly performance assessment, before final approval by the local Boards.

The Group Heads of Internal Control functions are responsible for checking the implementation process of the remuneration policy at different levels:

Risk
The risk management function should assist in and inform on the definition of suitable risk adjusted performance measures (including ex post adjustments), as well as in assessing how the variable remuneration structure affects the risk profile and culture of the institution. The risk management function should validate and assess risk adjustment data before it is presented to the BoD.

Compliance
The compliance function should analyse how the remuneration policy affects the institution's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the management body, both in its management and supervisory functions. The findings of the compliance function should be taken into account by the supervisory function during the approval, review procedures and oversight of the remuneration policy.

Internal Audit
The internal audit function should carry out an independent review of the design, implementation and effects of the institution's remuneration policies on its risk profile and the way these effects are managed.

The Control Functions are also responsible for reporting on the review to the Board.

### 9.3 Role of the Human Resources

The Human Resources function should participate in and inform on the drawing up and the evaluation of the remuneration policy for the institution, including the remuneration structure, remuneration levels and incentive schemes, in a way that would not only attract and retain the staff the institution needs but also assure that the remuneration policy is aligned with the institution's risk profile.

### 9.4 Role of the Group Nomination and Remuneration Committee ("NRC") – all decisions being ultimately approved by the Board of Directors

The composition, rules of functioning, and duties of the NRC are defined is the NRC Charter.

In summary, the duties of the NRC linked to the Remuneration Policy are:

a) Remuneration policy

- Supports the Board in **adopting and maintaining the remuneration policies, overseeing its implementation** to ensure it is fully operating as intended

The points of attention for the NRC are:

- Review the **appointment of external remuneration consultants** that the supervisory function may decide to engage for advice or support;
- Ensure the **adequacy of the information provided to shareholders on remuneration policies** and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration;
- **Assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks**, liquidity and capital levels and that the overall remuneration policy

is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the institution;

- **Define and assess the achievement of performance targets by the authorised management and internal control functions and the need for ex post risk adjustment, including the application of malus and clawback arrangements;**

- **Review a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-test the criteria used for determining the award and the ex ante risk adjustment based on the actual risk outcomes.**

b) Nomination and remuneration decisions

- **Approve the CEO scorecard**, deriving from the strategic objectives defined by the Board of Directors
- Review of the **identification process and MRT (Material Risk Takers) list on a yearly basis**
- **Be responsible for the preparation of decisions on remuneration** to be taken by the BoD, in particular regarding the remuneration package of the members of the Management Committee and Head of Internal Control Functions.
- Approve any subsequent material exemptions made for individual staff member and changes to the remuneration policy and carefully consider and monitor their effects.
- Approves bonus and incentive payments following the rules implemented in the Policy
- Ensure that the institution's remuneration policies and practices are appropriately implemented and aligned with the institution's overall corporate governance framework, corporate culture, risk appetite and the related governance processes.
- Ensure that conflicts of interests with regard to the remuneration policy and remuneration awarded should be identified and appropriately mitigated, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. The remuneration policy should ensure that no material conflicts of interest arise for staff in control functions.

**The scope of authority of the NRC extends to the entities of the bank. For the Bank's subsidiaries, the NRC has a purely advisory function in such case. The local management of the relevant subsidiary is responsible to provide information to allow the Group Head of Internal Control Functions, and the NRC to perform its responsibilities.**

### 9.5 Role of the Group Audit, Risk & Compliance Committee ("ARC")

The composition, rules of functioning, and duties of the ARC are defined is the ARC Charter.

In summary, the duties of the ARC linked to the Remuneration Policy, without prejudice to the responsibilities of the NRC are:

- Controls the appropriateness of the benefits provided in the policies and remuneration practices, given the level of risk of the establishment, its own funds and internal liquidity reserves and regulatory as well as its profitability.

- Reports to the Board as a whole the outcome of its risk deliberations, including its tolerance for current and future risks proposing the necessary measures to correct quickly noticed problems, deficiencies and irregularities

## 10. ACCESSIBILITY

Internally

- The main principles of remuneration policy are made available to all staff and are located on the internal network.

Externally

- Periodic disclosure of the main principles of the remuneration policy will be made in the annual financial accounts in accordance with the requirements under Regulation (EU) No 575/2013
- Details of how the Bank complies with the corporate governance and remuneration requirements of the CRD IV Luxembourg Law can be found on its website www.banquehavilland.com (main principles to be published).

## 11. APPENDICES

- Appendix 1: Identification Criteria to establish MRT List
- Appendix 2: Scorecard 2022 (For indicative purposes)