



## **European Merchant Bank UAB**

### Remuneration Policy

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## ***I. PURPOSE AND OBJECTIVES***

- 1.1. The purpose of this remuneration policy (the “**Remuneration Policy**” or “**Policy**”) is to define core principles and policy of remuneration of employees of the European Merchant Bank (the “**Bank**”). The Policy establishes the basic principles of remuneration in order to reward sustainable long-term value creation in line with the interests of shareholders, investors, and customers, to enable the Bank to attract, retain, motivate, develop and train talented employees and to promote achievements of long-term targets.
- 1.2. The Supervisory Board approves and oversees the implementation of the Policy.
- 1.3. The Management Board implements the Policy according to powers delegated by the Supervisory Board.
- 1.4. The Policy is prepared under and is compliant with the resolutions of the Board of the Bank of Lithuania, the guidelines of the European Banking Authority, and other legal acts regulating the requirements for the Remuneration Policy of the Bank as a financial institution.
- 1.5. The Policy is prepared and applied by considering the Bank's size, type and scale of operations, complexity, organisational structure, assumed risks, and other factors.
- 1.6. This Policy aims to promote responsible business, fair treatment of customers and to avoid conflicts of interest, promote sound and effective risk management, as well as reliable anti-money laundering and counter-terrorist financing risk management, and define processes and principles to be followed in the payment of remuneration.
- 1.7. The Policy is implemented under the procedures established in the Bank's internal documents. Employees’ promotion / motivation systems established in internal documents must comply with the principles of the Policy and the other legal acts regulating the requirements for the Policy of the Bank.
- 1.8. The Remuneration principles governed by the Policy apply to all employees of the Bank as well as the Banks’ Supervisory Board and Management Board who are not employees.

## ***II. REMUNERATION PRINCIPLES AND SCHEME***

- 2.1. The Remuneration Policy is developed considering and applying all the following principles:
  - 2.1.1. The Bank integrates environmental, social, and governance (the “**ESG**”) considerations in its business decisions. The Bank closely follows and regularly incorporates in the Remuneration Policy the best practices and innovations in the ESG field.
  - 2.1.2. Internal fairness is assessed based on the duties assigned to the employee, the employee's performance, the employee's competences, knowledge, skills, etc., similar positions are compensated similarly.
  - 2.1.3. External competitiveness means that compensation paid to employees is competitive with the labour market of the country in which they work, allowing the Bank to attract and retain the right employees.
  - 2.1.4. Transparency is important in clarifying how each employee’s salary is determined, considering his/her performance, competences, and qualifications.
  - 2.1.5. Flexibility should be ensured when it comes to hiring or retaining employees who are important to the sustainability and performance of the Bank, without compromising the basic principles of a fixed variable remuneration ratio.
- 2.2. The principles of the remuneration should be applied in the following way:

- 2.2.1. It should not be encouraged to take risks that exceed the levels set in the Bank's risk strategy and related documents, and for each individual type of relevant risk.
- 2.2.2. The Bank's ability to strengthen its authorised capital should not be compromised.
- 2.2.3. Meets business targets defined in business plans and budget planning.
- 2.2.4. Adheres to a code of conduct, prevents conflicts of interest, and promotes prudent and effective risk management.
- 2.2.5. It does not conflict with the interests of the client, shareholder, and other interested parties.
- 2.2.6. The application and implementation of ESG principles in decision-making is taken into account when assigning additional benefits to employees.
- 2.3. The Bank's remuneration scheme consists of the following:
  - 2.3.1. Fixed remuneration component (fixed salaries)
  - 2.3.2. Additional benefits
  - 2.3.3. Variable remuneration component (annual variable remuneration and one-time bonuses).  
Guaranteed variable remuneration is not applicable.
- 2.4. Employees are subject to an equal pay system, without discrimination based on gender, age, nationality, race, social status, religion, social orientation, etc.
- 2.5. An employee's total remuneration package is determined based on the role and position of the individual employee, professional experience, seniority, education, responsibility, job complexity, market conditions, the results of the business unit in which the employee is employed, the individual's performance, the remuneration range applicable to the job position level.
- 2.6. Remuneration shall be determined in accordance with the applicable labour law, resolutions of the Board of the Bank of Lithuania, the guidelines of the European Banking Authority, and other legal acts regulating the requirements for the remuneration (including, but not limited to the internal regulations and decisions of the Bank).

#### ***Bank's Fixed Salary Principles***

- 2.7. Fixed Salary constitutes the primary component of remuneration. Fixed salary is the monthly salary determined in the employment contract which in each case reflects the level of the employee's professional experience, role, responsibilities set by the job description and role charter, principle of remuneration, specific knowledge, skills and competences, the salary budget opportunities, and the remuneration range applicable to the job position level. Fixed salary must be aligned with the market and reflect the requirements of the position and the long-term performance expectations from the employee.
- 2.8. Annual fixed remuneration term refers to sum of monthly fixed salaries paid within a financial year. It does not include any additional benefits (i.e., health insurance, etc).
- 2.9. Supervisory Board members are paid fixed salaries as remuneration.

#### ***Additional benefits***

- 2.10. On an initiative of the Bank benefits may be granted to employees as a long-term or short-term benefits or allowances that may be received by the employees (e.g., health insurance, additional leave days, etc.). Benefits are considered as part of the fixed remuneration and in addition, are

intended to encourage employee's involvement, loyalty, forming the employer's distinctiveness, increasing its attractiveness, helping to achieve better performance and to provide a competitive overall reward package. Benefits are determined in the Bank's internal documents.

- 2.11. Benefits apply regardless of the individual performance of the employees without providing an incentive to take risks, and therefore they are not considered to be a remuneration for the work or functions performed. Benefits are irrevocable for the validity of the benefits provided term of office and / or as long as the employee occupies a certain role to which the specific benefit is assigned.

### ***Variable Remuneration***

- 2.12. Variable remuneration means the portion of remuneration consisting of an immediate portion and a deferred portion (when applicable) to promote trustworthy and effective risk management.
- 2.13. Variable remuneration reflects employee's work performance matching the duties specified in the job description and representing the risk-taking assessment.
- 2.14. The Bank does not offer guaranteed variable remuneration. Variable remuneration fund is formed only after assessing the Bank's performance, considering current and future risks, costs of the capital employed and liquidity support needs. The variable remuneration fund and its size must not limit the ability of the Bank to strengthen its capital base.
- 2.15. Variable remuneration is paid by linking the employee's individual performance goals with the Bank's long-term interests. Employees are encouraged to act professionally, honestly, and transparently, considering the rights and interests of the Bank and its customers.
- 2.16. The amount of the variable remuneration is based on the overall performance assessment of the employee based on KPI achievements, achievements of the business unit the employee works in, and overall goal achievement the Bank itself. Any violations of ethics policies of the Bank by the employee (Code of Conduct and Conflicts of Interest, Violence and Harassment Prevention Policy, etc.) or any unauthorized risk-taking action of the employee will have negative effect on the variable remuneration amount (if not reduced to zero) whereas any extraordinary one-off contribution of the employee to the Bank that is not mentioned within KPIs might have positive effect on it.
- 2.17. Employee performance evaluation includes both financial and non-financial criteria (e.g., compliance with internal rules and procedures, industry standards, relationships with customers, colleagues, initiative-taking, responsibility, performance achievement, etc.). The industry and individual targets are set, documented and employee's performance is evaluated at least once a year. The period for which the evaluation of the employee is performed shall be equal to financial year of the Bank.
- 2.18. Variable remuneration can be allocated to all employees, maintaining a proper balance between fixed and variable remuneration components, and the possibility of implementing a flexible policy related to variable remuneration components.
- 2.19. The awarded variable remuneration to an employee in 1 (one) calendar year (which shall be equal to financial year of the Bank) cannot exceed 100% of the amount of the received annual fixed remuneration of the same year for which the variable remuneration was awarded. Bank's shareholder(s), following the requirements of legal acts, can take a decision to increase the ratio of maximum amount of variable remuneration amount to annual fixed remuneration up to 200% (corresponding to two times the annual fixed remuneration amount of employees). 100% and 200% figures represent maximum limits approved by relevant authority, therefore, actual variable remuneration granted might be lower than this level, but not above.

- 2.20. Variable remuneration may be awarded and paid only in the case of a sustainable financial position of the Bank and without violating the requirements of legal acts. Variable remuneration at the discretion of the Bank can be reduced or not paid, if the Bank underperforms the goals of the strategy of the Bank or the activity of the Bank is unprofitable, the employee acted dishonestly, or the employee's activity resulted in a loss for the Bank, or other objectively justified reasons.
- 2.21. Variable remuneration shall be paid in cash. Variable remuneration can be paid in full at once or deferred in parts (when applicable). The variable remuneration is determined, calculated, and paid under this Policy and the conditions and procedures outlined in the internal documents of the Bank.
- 2.22. When deferral is applicable, the first step should be to calculate the variable remuneration amount granted for each employee for that financial year. The actual payment to the employee for that year and deferral amounts & schedules should be followed under the following schema:
  - 2.22.1. Up to the amount equivalent to 25% of the employee's annual fixed remuneration is paid in cash as variable remuneration in Year 1 (reporting year).
  - 2.22.2. The amount (if applicable) equivalent to between 25% - 40% of employee's annual fixed remuneration is deferred to Year 2 to be paid in cash as variable remuneration.
  - 2.22.3. The amount (if applicable) equivalent to over the 40% of employee's annual fixed remuneration is deferred to Year 3 to be paid in cash as variable remuneration.

#### ***One-time Bonuses***

- 2.23. One-time bonus shall be considered as variable remuneration. One-time bonus is paid to all employees regardless of their seniority level, work experience within the Bank and (or) other aspects of the employment relationship between the Bank and the employee. One-time bonus is paid to all employees as an equal percentage of the monthly salary of each particular employee.
- 2.24. One-time bonus shall be paid in cash and cannot exceed the amount of last monthly salary of the employee.
- 2.25. The deferral period does not apply to one-time bonuses.
- 2.26. The following employees cannot benefit from one-time bonuses:
  - 2.26.1. Those who have submitted their resignations
  - 2.26.2. Those who have been working less than 6 months prior to one-time bonus decision by Supervisory Board.
- 2.27. One-time bonuses shall be included in calculations during considering 100% (or 200% in mentioned-above case) limit or during deferral calculations in Section 2.22.

#### ***Deferred Payments***

- 2.28. All employees are subject to deferral based on calculations mentioned in 2.22.
- 2.29. Employees, even after termination of the job contract, are eligible to receive the previously granted deferred payments. Such payments are disclosed using the same table (REM 3 table in Annex 2); however, a separate disclosure table is filled for terminated work relationships.
- 2.30. Shareholder(s) of the Bank, upon proposal by Supervisory Board, can take a decision to cancel that financial year's deferred payments for the whole staff (including ex-employees), in the case of a financial instability risk of the Bank. In such a case, if an ex-employee requests the relevant

shareholder decision, Legal department is authorized to provide the resolution, or a summary of the decision.

### ***Malus Arrangement***

- 2.31. Malus arrangements are explicit ex post risk adjustment mechanisms where the institution itself adjusts remuneration of the employees based on such mechanisms (e.g., by lowering awarded variable cash remuneration up to 100% of the total variable remuneration in accordance with the Directive 2013/36/EU dated 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions regardless of the method used for the payment such as cash payment, deferred payment).
- 2.32. Malus arrangement is always ensured to be performance or risk related. The aim is to respond to the actual risk outcomes or changes to persisting risks of the Bank, business line or identified staff's activities.
- 2.33. Under no circumstances can malus arrangement lead to an increase of the variable remuneration initially awarded or, where malus was already applied in the past, to an increase of the reduced variable remuneration.
- 2.34. Supervisory Board-can take a decision to cancel the deferred payment of a current or ex-employee for deferred payments of up to 3 years if:
  - There is evidence that there is misconduct or serious error by the employee (i.e., breach of "Code of Conduct and Conflicts of Interest Policy", "Violence and Harassment Prevention Policy" and / or other internal rules, especially concerning risks).
  - The employee participated in or was responsible for fraud or conduct, either with intent or negligence, which resulted in significant losses to the Bank.
  - There are any regulatory sanctions (i.e., punitive, administrative, disciplinary, etc.) where the conduct of the employee contributed to the sanction.
- 2.35. If the person in focus for malus arrangement is a Management Board member, s(he) cannot take part in discussions, decisions or actions related to the matter.

### ***Severance Pay***

- 2.36. It is a special payment which must, by law, be made to an employee in the event of termination of the employment relationship by the employer. In compliance with Labor Code, dismissed employees are paid severance payments calculated based on their monthly average salary and depending on the reasons for termination, the length of service, the type of contract and other factors. Severance payments are done according to principles and definitions set in "Labour code No XII-2603", "Law on guarantees for employees in the event of employer insolvency and long-term service allowances No XII-2604", "Resolution No 576 of the government of the Republic of Lithuania on the approval of regulations of the Long-term Allowance Fund", "Description of the average wage calculation procedure approved by the resolution of the government of the Republic of Lithuania No 496".
- 2.37. Severance pays, under definitions given in **Annex 2**, are subject to disclosure.

### **III. OVERTIME PRINCIPLES**

- 3.1. For overtime work, like a day off that was not required by the work Schedule, on a holiday, work at night, the specific payment rates shall be established according to Article 144 of the Labour Code of the Republic of Lithuania.

### **IV. ROLES AND RESPONSIBILITIES**

- 4.1. Shareholder(s) of the Bank is/are authorised to determine the amount of fixed remuneration of the Chairman of the Supervisory Board.
- 4.2. Fixed remuneration of the Supervisory Board members is determined by Chairman.
- 4.3. Supervisory Board is authorised to:
- 4.3.1. Approve Remuneration Policy and review it at least once a year.
  - 4.3.2. Approve list of "Risk Taker" positions (**Annex 1**) upon submission from Management Board.
  - 4.3.3. Approve annual remuneration budget (fixed+variable).
  - 4.3.4. Approve payment of and total amount of variable remuneration.
  - 4.3.5. Approve the total variable remuneration amount of Management Board members upon proposal by Head of Administration.
  - 4.3.6. Determine amount of variable remuneration for Head of Administration.
  - 4.3.7. Approve Key Performance indicators ("KPI's") for each Management Board member.
  - 4.3.8. Approve distribution and total amount of one-time bonuses upon proposal by Head of Administration.
- 4.4. Audit Committee is authorized to:
- 4.4.1. Approve KPIs and variable remuneration for Head of Internal Audit.
- 4.5. Management Board is authorised to:
- 4.5.1. Determine distribution of total approved annual remuneration budget per employee or delegate this authority to Head of Administration.
  - 4.5.2. Approve internal procedures and processes for Policy implementation.
- 4.6. Head of Administration is authorised to:
- 4.6.1. Determine the salary ranges at employee level.
  - 4.6.2. Determine the amount of variable remuneration of all employees (including each Management Board member, excluding him/herself and Head of Internal Audit) under the delegation given by Management Board.
  - 4.6.3. Approve KPIs for employees except for Management Board members, Head of Internal Audit and her/his own.
  - 4.6.4. Approve one-time bonuses upon related proposal by HR Department. Head of Administration's decision regarding one-time bonus must be followed by approval of Supervisory Board.
- 4.7. HR Department is responsible to:
- 4.7.1. Coordinate the implementation of Remuneration Policy within the Bank.
  - 4.7.2. Coordinate relevant disclosures and web site publications.
- 4.8. Finance Department is authorized to:
- 4.8.1. Determine the bonus pool in the light of financial strength measures and profitability realization of the Bank,
  - 4.8.2. Make payments after approval at mentioned authority levels.

## **V. DISCLOSURES**

- 5.1. The Policy must be made available to employees to whom it applies. Employees are informed beforehand of the criteria and methods used to determine their variable remuneration.
- 5.2. Disclosures regarding the remuneration policy and practices shall be disclosed as per Regulation EU No. 575/2013 dated 26 June 2013 on Prudential Requirements for Credit Institutions and Investment firms.
- 5.3. The Bank discloses information about the implementation of the Policy only in compliance with the requirements of mandatory legal acts and without violating confidentiality provisions and legal protection requirements of personal data.
- 5.4. HR Department is responsible for preparation of disclosure data using **Annex 2** and coordination of publishing of the Policy and disclosure data on the Bank's web site.

## **VI. FINAL PROVISIONS**

- 6.1. Management Board reviews and submits suggestion to update Policy to Supervisory Board at least once a year.
- 6.2. Internal Audit Department must check the implementation of the Policy principles at least once a year. Independent third parties may be used to verify the implementation of the Policy.
- 6.3. If amended, the Policy is submitted to the Bank of Lithuania every year before 30 April of the current year.

## **VII. LIST OF ANNEXES**

- 7.1. Annex 1: List of Risk Taker Positions.
- 7.2. Annex 2: Disclosure Tables.

***Annex 1: LIST OF RISK TAKER POSITIONS***

1. Supervisory Board members,
2. Management Board members,
3. Credit Committee members.

*The following positions are risk takers regardless of being a member of above boards & committees:*

Chief Executive Officer,

Deputy Chief Executive Officer,

Chief Financial Officer,

Chief Risk Officer,

Chief Operations Officer,

Head of Local Sales,

Head of Global Sales,

Head of Capital Markets & Treasury, Head of Treasury,

Head of Internal Audit,

Compliance Officer (Compliance Manager if no Compliance Officer assigned),

Head of Risk,

Head of Credits (Credits Manager if no Head of Credits assigned),

Head of AML / CFT Compliance & MLRO,

Head of FI.

## Annex 2: DISCLOSURE TABLES

The disclosure data must be updated until 30 April of each year for the closed financial year.

As of 31 December 2022, EMBank has 19 risk takers.

### REM1 - Remuneration awarded for the financial year

			A	B	C	D
			Supervisory Function	Management Function	Other Senior Management	Other Identified Staff
1	Fixed Remuneration	No of identified staff	4	5	7	3
2		Total Fixed Remuneration	389.245	592.376	501.369	92.033
3		Of which cash based	389.245	592.376	501.369	92.033
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7	Of which: other forms					
8	(Not applicable in the EU)					
9	Variable Remuneration	No of identified staff	4	5	7	3
10		Total Variable Remuneration	0	49.900	43.071	7.450
11		Of which cash-based	0	49.900	43.071	7.450
12		Of which: deferred				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15	Of which: other forms					
16	Of which: deferred					
17	Total Remuneration (2+10)		389.245	642.276	544.440	99.483

### REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		A	B	C	D	E	F	G	H	I	J
		Management Body Remuneration			Business Areas						
		MB Supervisory Function	MB Management Function	Total MB	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent Control Functions	All Other	Total
1	Total No of Identified Staff										19
2	Of which: members of the MB	4	5	9							
3	Of which: other senior management				0	0	0	0	2	5	
4	Of which: other identified staff				0	0	0	0	1	2	
5	Total remuneration of identified staff	389.245	642.276	1.031.521	0	0	0	0	171.819	472.104	
6	Of which: variable remuneration	0	49.900	49.900	0	0	0	0	13.733	36.788	
7	Of which: fixed remuneration	389.245	592.376	981.621	0	0	0	0	158.086	435.316	