

# DIRECTORS' REMUNERATION POLICY

PIRAEUS BANK





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## 1. PURPOSE

Piraeus Bank Group's ability to implement a comprehensive human capital strategy to attract, retain, reward and motivate highly skilled individuals is important for the Group's sustainable success.

Whilst being consistent with the wider human capital strategy of the Group and the principles of the Group Remuneration Policy, the Directors' Remuneration Policy (hereinafter "Remuneration Policy") applies to the members of the Board of Directors (BoD) (hereinafter "Directors") as per the requirements of Articles 110-111 of Law 4548/2018.

The Remuneration Policy lays out the general framework of remuneration currently paid as well as any future remuneration that may be offered to current and/or new Directors.

Remuneration paid to the Board of Directors takes into consideration Banking Regulatory provisions on Risk-Takers, which are a wide group of employees identified using qualitative and quantitative criteria prescribed by the regulators.

### **The Remuneration Policy aims to:**

- Attract, retain and motivate high caliber employees who achieve the expected results by embracing corporate values and culture
- Support a performance driven culture that is based on excellence and on creating sustainable growth
- Align remuneration with profitability, capital adequacy, and liquidity whilst reflecting risk appetite
- Promote a culture of compliance and effective risk controls
- Enhance internal and external transparency

### **Contribution to business strategy, long-term interests and sustainability**

With regard to current restrictions deriving from the fact that the Bank is under state aid, the Remuneration Policy contributes to the Bank's business strategy and long-term interests by:

- Not relying on variable pay and risk taking, thus encouraging Executive Directors to focus on sustained long-term value creation
- Offering competitive and fair levels of remuneration and benefits for Directors that incentivize their dedication to the Bank, the creation of long-term value and the achievement of long-term goals
- Creating a work environment which is comprehensive in its diversity, fostering and unlocking individual potential and creating competitive advantage
- Making adherence to the Group's values, business principles and risk-related policies key considerations when determining remuneration
- Not posing a detriment to the objective of orderly and timely payback of the state aid

### **Employment conditions and Remuneration Policy**

The Remuneration Policy follows the same fundamental principles of the Group Remuneration Policy, applicable to all staff, while at the same time acknowledging that the structure of remuneration for Directors is necessarily different to that of less senior employees as a result of their role, responsibility and ability to impact the performance of the business.

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The Remuneration Committee and the Board of Directors approve the Group Remuneration Policy and receive periodic updates on the wider staff remuneration structure, practices and trends, which are considered when establishing and reviewing the present, in order to ensure alignment and consistency across the Group.

Remuneration components of Executive Directors and other Executive Committee members follow a common framework and principles with variation on levels of pay targeting to reflect diverse individual performance and potential as well as organizational structures.

## 2. REMUNERATION POLICY GOVERNANCE

The Remuneration Committee, assisted by all relevant departments and external consultants (if deemed necessary) and in cooperation with other Board Committees, where needed, designs the Remuneration Policy and respective practices, by taking into consideration the Bank's long term targets and values, the long-term interests of the shareholders, investors and other stakeholders. The Remuneration Committee then develops its proposals to ensure remuneration fairness and competitiveness as well as the long-term prudent and sound management of the Bank and the prevention or the elimination of any conflicts of interests. Finally, the proposals are submitted to the Non-Executive Directors of the Board for approval.

The Remuneration Policy will be submitted for approval to the Annual General Meeting of Shareholders. Subject to obtaining approval, it shall be effective for up to four (4) years thereof unless there is a material change. In this case, the Policy will be submitted to the General Meeting for approval.

The Remuneration Policy is reviewed on a regular basis by the Remuneration Committee to ensure its continued alignment with its principles. The review takes into consideration, among others, the advisory vote of the General Meeting of Shareholders on the Remuneration Report.

In respect of conflicts of interest:

- Directors have to avoid situations where their interests may come into conflict with the interests of the Bank and with their duties to the Bank.
- Directors must report the existence of conflicts of interest to the Board of Directors and abstain from participating and intervening in deliberations and voting on resolutions or decisions in which they have a conflict of interest. Therefore, Directors abstain from voting on resolutions of the Board concerning their own remuneration.
- In any case, situations of conflict of interest to which the Directors are subject to, have to be reported in the Annual Report on Corporate Governance and in the notes to the financial statements.

In addition, the Conflicts of Interest Policy, which constitutes part of the Group Compliance Policy and is applicable to all staff, Directors included, provides guidance on how conflicts of interests are defined, how they can be identified and what procedures should be followed when a conflict of interest arises.

### Disclosure of the Remuneration Policy

The approved Remuneration Policy, together with the date and results of the vote of the General Meeting of Shareholders on it, shall be available on the website of the Group, as long as it is applicable.

The Group annually discloses both quantitative and qualitative information related to the remuneration of Directors, in line with all applicable legal requirements.

Remuneration paid to Directors will be specified in the Bank's Remuneration Report to be published annually from 2020 onwards. This is also made available internally.

### 3. REMUNERATION COMPONENTS

The Remuneration structure that applies to Directors includes the following components:

#### *I. Fees for Non-Executive Directors of the Board*

Non-Executive Directors (NEDs), including the Chairman, receive annual Board fees and additional fees for membership and chairmanship of a Board Committee. The fees are paid in cash and are subject to periodic review in order to ensure that they remain sufficient to attract high-caliber individuals with the appropriate level of skills and experience and enable them to make the required contribution, commitment and time devoted to the Board.

The fee structure for the Non-Executive Directors is shown in the table below:

#### Capacity

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- Chairman of the Board fee

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  - Non-Executive Director base fee

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  - Vice Chairman of the Board fee

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  - Chairman fee of Audit Committee or Risk Committee

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  - Member fee of Audit Committee or Risk Committee

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  - Chairman fee of Remuneration Committee or Board Members' Nomination Committee or Strategy Committee

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  - Member fee of Remuneration Committee or Board Members' Nomination Committee or Strategy Committee

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  - Member fee of any other BoD Committee not stated above

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Main principles of the NED's fee structure are described below:

- The Chairman of the Board does not receive the Non-Executive Director base fee, or any other additional fees.
- An additional fee is paid for membership or chairmanship of a Board Committee.
- Chairmen of Committees do not receive the committee member fee.
- For Chairmen of Committees relevant caps apply to their total fees.
- Directors do not receive additional fees for attendance to the Board and/or its Committees.
- Fees are paid proportionally for as long as each member holds the corresponding position.

#### *II. Fixed Salary for Executive Directors of the Board*

Executive Directors of the Board receive a fixed salary, paid in cash on a monthly basis. The Bank has developed a fixed remuneration framework, which defines the salary structure and ranges, in order to attract and retain talented individuals by reference to:

- their relative seniority, as established by job evaluation
- external relativities, via market rate surveys

Criteria that are taken into consideration when determining fixed remuneration include: the degree and readiness of the position's requirements' fulfillment, the academic background, the previous professional experience, the criticality of the role, the degree of difficulty for tracing abilities/skills required for the specific position etc.

The fixed Remuneration Policy of Executives Directors is reviewed by the Remuneration Committee in order to ensure salaries' alignment with the Remuneration Policy principles.

### **III. Benefits**

The Bank aspires to offer competitive and fair rates of pay and benefits to Executive Directors (including insurance programs) and coverage of professional expenses, all in line with relevant market practice. This may include (but is not limited to) medical plan, life/accident plan, children's aid plans, pension schemes provided to employees, optional retirement benefits, company car<sup>1</sup>. The Bank will provide pension benefits through a defined contribution scheme to all employees in addition to the legally required social security contributions. Executive Directors and the Chairman of the BoD may also participate.

The Bank covers travel, accommodation and other expenses reasonably incurred by Non-Executive Directors in the course of the Bank's business.

### **IV. Variable Remuneration**

As a matter of principle, variable remuneration is an important part of pay for Executive Directors as it enhances incentivisation to promote the Bank towards the strategic direction endorsed by the Board and in alignment with shareholders. Non-Executive Directors do not receive any variable remuneration.

Subject to the existence/lifting of current restrictions prohibiting the award of any variable remuneration to Directors for the period the Bank is under state aid, variable remuneration schemes may have the form of an annual variable remuneration scheme or reward long-term consistent performance by providing focus on delivering superior long-term returns to shareholders.

On exceptional basis, variable schemes may also have the form of sign on bonus or retention bonus in order to attract and retain executives with strong capability, necessary for the business plan achievement. Exceptional payments will only be awarded when the Remuneration Committee determines they are in the long-term interest of shareholders, following the procedure under section "2. Remuneration Policy Governance" and will be disclosed in the Remuneration Report submitted to the General Meeting of Shareholders.

For Directors to be entitled to profit participation rights, a respective resolution of the General Meeting of Shareholders is required. Same applies for stock option plans.

In all cases, variable remuneration schemes should be pre-approved by the General Meeting of Shareholders.

Variable remuneration amounts are calculated as a percentage of fixed component. The desired percentages - based on x% targets achievement rate are defined by reference to the banking market practice, the current economic situation and the Group's margins following the recommendation and the approval process described under the section "2. Remuneration Policy Governance".

The variable component cannot exceed 100% of the fixed component of the total remuneration of each individual. The General Meeting of Shareholders may approve a higher maximum level of the ratio between fixed and variable components provided that it does not exceed 200% of the fixed component for each individual.

<sup>1</sup>Benefits are aligned with the Benefits Policy covering all employees and will be included in the Bank's Remuneration Report

### **a. Risk Alignment, Deferral & Restrictions**

As long as the Bank is under state aid, among other restrictions, no variable remuneration is paid to the Directors.

As per current regulatory framework, apart the aforementioned restriction, variable remuneration will be paid to Executive Directors only if it is sustainable according to the financial situation of the Bank (and Group) and does not put at risk the soundness of the Group's capital base.

In all cases, the Group does not have a binding obligation to pay variable remuneration. If the conditions are not favorable, e.g. increased liquidity needs, spending budget overruns, the Group may decide not to pay variable remuneration, even if its financial performance permits it.

In order to connect variable payment with long-term achievements and at the same time discourage Executive Directors from undertaking excessive risk, a significant part of their payment (should this be awarded) is deferred at or above the minimum proportion of 40% or respectively 60% for particularly high amounts. In addition, at least half of their payment is given in instruments<sup>2</sup> instead of cash.

In respect of the awarded instruments, a retention period of at least one year is set. The deferral period cannot be shorter than 5 years or otherwise defined by the existing legislative and regulatory framework.

### **b. Malus & Clawback provisions**

Without prejudice to the general principles of national contract and labour law, the total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the Bank occurs, taking into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

In case of violations of regulations/procedures, misconduct, failure to meet appropriate standards of fitness and propriety, or other equally serious cause, participation in or responsibility for conduct which resulted in significant losses, the Group shall be entitled to use any and all legal means available to claim the return of such amounts from the employee.

Malus and clawback provisions/arrangements for up to 100 % of the total variable remuneration are in place for the Executive Directors.

### **V. Remuneration Cap**

In any case, as long as the Bank is under state aid, Directors' remuneration cannot exceed the total remuneration of the Governor of the Bank of Greece.

<sup>2</sup>Subject to the lifting of restrictions on issuance of new shares, as per relevant regulatory framework, i.e. art.94 par.1 (l) (i) (ii): shares or equivalent ownership interests (ii) where possible, other instruments within the meaning of Article 52 or 63 of Regulation (EU) No 575/2013, or other instruments which can be fully converted to Common Equity Tier 1 instruments or written down, that in each case adequately reflect the credit quality of the Bank as a going concern and are appropriate to be used for the purposes of variable remuneration.

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## *VI. Contracts Provisions*

Non-Executive Directors are elected by the General Meeting of Shareholders, currently with a three-year tenure (and are linked to the Bank with a relationship of mandate). There are no further obligations that could give rise to remuneration payments or payments for loss of office. For certain key non-executive positions, such as the Chairman of the Board, the Bank may opt to formalize their mandate into a written contract.

Executive Directors sign mandate contracts with the Bank, with a term which does not exceed the tenure of the Board but may contain renewal clauses in case of reelection not connected with any additional payment.

Contracts with BoD members, reviewed on a case by case basis, may enclose explicit clauses for the provision of specific severance payments approved by the General Meeting of Shareholders. Moreover, contracts with BoD members may be terminated for good reason, without any severance payment due and with no minimum prior notice.

In all cases, severance payments should be in compliance with regulatory restrictions.

There are no contractually agreed change-in-control clauses.

Contracts assigning specific ad hoc tasks to Directors, beyond their normal duties, are approved as prescribed by the related party transactions framework of law.



