

Pursuant to Article 100, paragraph (4) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020) 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 amendments to the Decision on staff remuneration

Article 1

In the Decision on staff remuneration (Official Gazette 31/2017, 57/2017 and 4/2021), in Article 2, item (4) is amended to read:

"4) 'Variable remuneration' means remuneration which is not fixed."

In Article 2, item (6) is amended to read:

"6) '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."

In Article 2, item (8) is amended to read:

"8) '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."

In Article 2, item (11) is amended to read:

"11) '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 27 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(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")."

In Article 2, item (31) is amended to read:

"31) 'Prudential consolidation' means the application of prudential requirements set out in the Credit Institutions Act and Regulation (EU) No 575/2013 on a consolidated or sub-consolidated basis, in accordance with Part 1, Title 2, Chapter 2 of Regulation (EU) No 575/2013."



In Article 2, after item (41), a new item (42) is added which reads:

"42) '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."

Article 2

In Article 9, after paragraph (8), new paragraphs (9) and (10) are added which read:

"(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) members of the management board;
- 3) members of the supervisory board; and
- 4) other staff.

(10) Where material 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."

Article 3

In Article 11, paragraph (1), item (2) is amended to read:

"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;"

Article 4

In Article 16, paragraph (2), item (3) is amended to read:

"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."

In Article 16, paragraph (3), item (3) is amended to read:

"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."

In Article 16, paragraph (6), the introductory sentence is amended to read:

"(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 20, 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 38 to 40 of this Decision:"

In Article 16, paragraph (6), a new item (6) is added which reads:

"(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."

In Article 16, after paragraph (6), a new paragraph (7) is added which reads:

"(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."

Article 5

Article 17 is amended to read:

"(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 224, paragraph (1), item (15) of the Credit Institutions Act and Articles 24 and 43 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."



Article 6

In Article 27, paragraph (1), item (3), in the first indent, the words "the amount equivalent to" are deleted.

Article 7

In Article 38, paragraph (4), the words "three million kuna" are replaced by the words "EUR 400 000".

Article 8

In Article 40, paragraph (3), in the first sentence, after the word "each", the words "non-deferred and" are inserted.

Article 9

In Article 45, paragraph (1), item (3), the words "paragraph (2), item (5)" are replaced by the words "paragraph (2), item (3)".

In Article 45, paragraph (2), after item (4), the word "and" is deleted and a new item (5) is inserted which reads:

"5) the development of the gender pay gap referred to in Article 9, paragraphs (9) and (10); and".

In Article 45, paragraph (2), the former item (5) becomes item (6).

Article 10

In Article 46, paragraph (1) the words "the equivalent of" are deleted.

Article 11

In the entire text of the Decision on staff remuneration (Official Gazette 31/2017, 57/2017 and 4/2021), the words "Commission Delegated Regulation (EU) on identified staff" are replaced by the words "Commission Delegated Regulation (EU) 2021/923".

Article 12

(1) This Decision shall be published in the Official Gazette and shall enter into force on the eighth day after the day of its publication, with the exception of the provisions of Articles 6, 7 and 10 of this Decision, which shall enter into force on the date of introduction of the euro as the official currency of the Republic of Croatia.

(2) By way of derogation from Article 38, paragraph (7) of the Decision on staff remuneration (Official Gazette 31/2017, 57/2017 and 4/2021), a credit institution may shorten the time limit for the payment of the first deferred portion of remuneration awarded for 2020 to less than one year in the first period after the beginning of the deferral period.

(3) By way of derogation from Article 40, paragraph (3) of the Decision on staff remuneration (Official Gazette 31/2017, 57/2017 and 4/2021), a credit institution may shorten the retention period for the first non-deferred portion of remuneration awarded for 2020 to less than one year from the date of the vesting of instruments.

(4) A credit institution shall harmonise its policies with this Decision by 30 April 2022 at the latest.



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Zagreb, 27 December 2021

Boris Vujčić

Governor