

Reg. No.: 30-091/091/22-1
Zagreb, 11 January 2022

**TO ALL LESS SIGNIFICANT
SUPERVISED ENTITIES**

Attention of: Management Board

Subject: Application of Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04)

Dear Sir/Madam,

We hereby inform you that on 2 July 2021 the European Banking Authority (hereinafter: the EBA) published the revised Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04; hereinafter: the Guidelines) on its website. The revised Guidelines entered into force on 31 December 2021. Previous Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22) published on 27 June 2016 are repealed with effect from 31 December 2021.

The Guidelines have been updated due to amendments to the provisions of Directive 2013/36/EU in the part concerning remuneration policies and practices introduced by Directive (EU) 2019/878 (hereinafter: CRD V), in particular with regard to the adoption and implementation of gender-neutral remuneration policies for all staff. The updated Guidelines provide further details concerning certain aspects of retention bonuses and severance payments related to performance assessments and the inclusion of this type of variable remuneration in the calculation of the maximum ratio between the variable and the fixed remuneration components.

The Guidelines also specify waivers based on the institution's total assets and for staff with a low level of variable remuneration, which were introduced in CRD V in relation to the deferral and payout in variable remuneration component instruments to identified staff. Furthermore, the Guidelines explain how the remuneration framework is applied on a consolidated basis for financial institutions subject to sector-specific remuneration requirements. The provisions governing the composition of the remuneration committee in global systemically important institutions and other systemically important institutions have been aligned with the provisions of the Guidelines on internal governance (EBA/GL/2021/05) governing the composition of risk committees and nomination committees, stipulating that the majority of remuneration committee members must be independent supervisory board members.

The majority of other provisions from the Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22) were not amended and were kept in the revised Guidelines.

In accordance with Article 4, paragraph (1), item (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020), the Croatian National Bank (hereinafter: the CNB) shall make every effort to comply with the guidelines and

recommendations issued by EBA in accordance with Article 16 of Regulation (EU) No 1095/2010 (OJ L 24. 11. 2010).

The Decision on staff remuneration (Official Gazette 31/2017, 57/2017 and 4/2021) transposes the requirements for credit institutions laid down in EBA/GL/2015/22 of 27 June 2016 in relation to remuneration policies and practices. In addition, the Decision on amendments to the Decision on staff remuneration, published in Official Gazette 145/2021, transposes the minimal requirements from the Guidelines concerning gender pay gap monitoring and clarifies the provisions on retention bonuses and severance payments.

The Guidelines specified in this circular also represent the expectations which the CNB will take into account in the exercise of supervision. The CNB expects credit institutions to fully comply with the Guidelines in the part applicable to them. By way of exception, the CNB does not expect less significant credit institutions to comply with item (55) of the Guidelines in the part stipulating that the majority of remuneration committee members in other systemically important credit institution must consist of independent supervisory board members.

The Guidelines in the Croatian language are available on the EBA website at the following link:

https://www.eba.europa.eu/sites/default/files/document_library/Publications/Guidelines/2021/EBA-GL-2021-04%20Guidelines%20on%20sound%20remuneration%20policies/Translations/1023108/GL%20on%20remuneration%20policies%20under%20CRD_HR.pdf

The Guidelines in the English language are available on the EBA website at the following link:

https://www.eba.europa.eu/sites/default/files/document_library/Publications/Guidelines/2021/1016720/Draft%20Final%20report%20on%20GL%20on%20remuneration%20policies%20under%20CRD.pdf

Kind regards,

Boris Vujčić
Governor