



# **Remuneration**

## Policy

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## 1. Legal framework

This document describes the Remuneration Policy (the “Policy”) of Anadolubank Nederland N.V. This Policy is in line with our strategy and risk appetite, objectives and core values, complying with the rules and legislation in force such as the Dutch Banking Code, the Regulation on Sound Remuneration Policies (RBB Wft 2017 Regeling Beheerst Beloningsbeleid), the Act on Remuneration Policies of Financial Undertakings (WBFO 2015 Wet beloningsbeleid Financiële Ondernemingen) and European regulation (CRD IV Directive).

The Policy also complies with the Best Practices provisions of the Dutch Corporate Governance Code 2016. Although the DCGC does not apply directly to Anadolubank due to its non-listed status in the Netherlands and the because the Bank does not state in its annual reports that it voluntarily applies the DCGC, the principles and best practice provisions from the DCGC however are still of importance for Anadolubank, because they are generally considered as an industry standard on how to govern in a prudent manner.

## 2. Scope

The main part of the Policy applies to all staff of Anadolubank Nederland N.V.). The rules which apply solely to the Identified Staff (**Appendix I**) are indicated with an asterisk (\*).

## 3. Principles

This Policy concerns Anadolubank Nederland N.V. and it reflects and supports the business plan, strategy, objectives, values and long-term interests of Anadolubank Nederland N.V. It facilitates the achievement of the strategic, collective and individual targets.

The Policy corresponds to sound and effective risk management and it will not encourage taking risks that are not acceptable to Anadolubank Nederland N.V. It takes into account the interests of the customers, staff members, shareholders, other stakeholders and Anadolubank Nederland N.V.

## 4. Governance

Different bodies and functions that have an important role in the determination, implementation and control of the Policy are the following:

### 4.1. The Management Board

The Management Board is responsible for the implementation of the Policy, except in relation to its own Remuneration Policy.

The Management Board will present a remuneration proposal annually to the Supervisory Board. The remuneration proposals for the Head of Risk Management department, Head of Internal Audit and Head of Compliance department require the prior approval of the Supervisory Board

## 4.2. The Supervisory Board

The Supervisory Board approves the policy and controls its implementation by the Management Board. The Supervisory Board monitors the implementation, adherence to and evaluation of the Policy.

The Supervisory Board of Anadolubank Nederland N.V. will not establish a separate Remuneration Committee. Instead, the Supervisory Board may appoint at least one of its members, on proposal by the Chairman, to include remuneration within his tasks to support the Supervisory Board. The Supervisory Board, however, assumes at the same time final responsibility and controls that the Policy complies with the principles of restrained remuneration.

A Supervisory Board Charter is available with respect to the composition, tasks and responsibilities, appointment of members and the required expertise and knowledge of the Supervisory Board and its individual members. The assignment of controlling the remuneration Policy will be executed in accordance with the terms of the corporate documentation, including the Supervisory Board Charter.

The Chairman of the Supervisory Board nor a former member of the Management Board of the Bank, nor a Supervisory Board member who is a member of the Management Board of another listed company will be appointed with the task to support the Supervisory Board regarding the Remuneration issues.

## 4.3. Supervisory Board responsibility for Remuneration

The Supervisory Board responsibility for Remuneration consists of:

- a) Ensuring that variable remuneration is in line with the Policy adopted and more particularly that it complies with the relevant Dutch legislation and regulation in place, the principles set out in the Dutch Banking Code and the guidelines of the European Banking Authority and DNB;
- b) Approving the proposal of the Managing Board for the determination of the Identified Staff.
- (c) Discussing and approving substantial retention packages, exit packages and welcome packages and see to it that they fit in with the remuneration Policy adopted and are not excessive.
- d) Preparing an analysis of the possible outcomes of the variable remuneration components and how they may affect the remuneration of the Management Board members, before determining the remuneration of individual Management Board members.
- e) Deciding on the remuneration of the individual members of the Management Board; such decision shall, be in line with this Policy.
- d) Approving e the remuneration proposal of the Managing Board for Identified Staff.

In executing its responsibility the Supervisory Board may be assisted by the manager responsible for HR

#### **4.4. Control functions**

Internal Audit, Risk Management and Compliance (**Control Functions**) are involved in the annual risk analysis of the remuneration Policy. As these Control Functions are independent from the business units, they oversee and have appropriate authority to advise the Management Board and the Supervisory Board. These Control Functions act in joint cooperation with respect to the set-up, execution, evaluation and required amendments to the remuneration Policy. Adequate processes (see points 4.4.1., 4.4.2. and 4.4.3.) are implemented for this within Anadolubank Nederland N.V., including an escalation procedure towards the Supervisory Board.

The remuneration of Control Functions is sufficient to acquire and maintain qualified personnel. Performance criteria are mainly linked to their functions and independent of the performance or the financial results of the business or the business unit which is monitored or controlled by the individual Control Function staff member.

The remuneration proposals for the Head of Risk Management department, Head of Internal Audit and Head of Compliance department require the prior approval of the Supervisory Board.

##### **4.4.1. Management Board**

Management Board will establish every year whether, and if so to what extent, the realized financial and non-financial performance criteria for staff need to be adjusted, taking into account the size, internal organization and nature of the Bank's activities.

Also, Management Board will determine if, in case of variable payments, the total amount is in line with the established solvency and liquidity requirements of the bank as published in the ICAAP and ILAAP reports.

##### **4.4.2. Compliance**

Compliance will conduct an annual review to establish that the remuneration Policy complies with the relevant legislation and regulation and the applicable recommendations. The review will be circulated to Management Board, Internal Audit and Supervisory Board

##### **4.4.3. Internal Audit**

Internal Audit will perform an annual audit on the adherence to the remuneration Policy. Any deviations identified are to be reported to the Supervisory Board members.

#### **4.5. Remuneration consultant**

If the Supervisory Board makes use in carrying out its duties of the services of a remuneration consultant, it shall verify that the consultant concerned does not provide advice to the Management Board members.

#### **4.6. Meetings**

The subject of remuneration will be on the agenda of the Supervisory Board as often as it needs to. The Supervisory Board will discuss this subject at least once a year.

#### 4.7. Conflicts

The provisions in this Policy are complementary to the rules and regulations applicable to the Supervisory Board under Dutch law, the Bank's Articles of Association and/or the Bank's policies and procedures. In the event of conflicts arising between the provisions of this Policy and the Bank's Articles of Association and/or regulatory provisions, the latter will prevail.

In the event one or more provisions of this Policy are or become invalid; this shall not affect the validity of the remaining provisions. The Supervisory Board will direct Management Board to update this Policy to include the changes in rules and regulations.

The Supervisory Board may at all times, amend these provisions.

### 5. Remuneration Definition

This Policy relates to the fixed and variable remuneration of staff, meaning all forms of payments and benefits made directly by, or indirectly, but on behalf of Anadolubank Nederland N.V. in exchange for employment services rendered by staff, which includes salaries, fringe benefits, bonuses, other fees, cost remuneration, severance payments which are contractual agreed upon and discretionary pension benefits (if any).

This Policy makes a clear distinction between fixed and variable remuneration:

- ▶ Fixed remuneration of staff reflects the contractual payment for relevant professional experience and organizational responsibility as set out in the job description as part of the terms of employment.
- ▶ Variable remuneration, which reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the job description as part of the terms of employment.

### 6. Remuneration Principles

The awarding of variable remuneration is at the sole discretion of Anadolubank Nederland N.V. and will only take place if it does not limit the ability of Anadolubank Nederland N.V. to strengthen its capital base or its solvency ratio.

#### 6.1. Maximum variable remuneration amount

When Anadolubank Nederland N.V. awards- at its sole discretion variable remuneration, then the variable remuneration amount shall never exceed 20% of the fixed remuneration component per annum. As a result, fixed and variable components of remuneration are appropriately balanced and the fixed remuneration represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible Policy with regard to variable remuneration, including the possibility to pay no variable remuneration. The Supervisory Board will set, from time to time, the appropriate ratio between the fixed and the variable component of the total remuneration. This ratio is determined based on the strategy, plans and long-term interests of Anadolubank Nederland N.V.

## 6.2. Guaranteed variable remuneration

The granting of guaranteed variable remuneration does not occur within Anadolubank Nederland N.V.

An exception may be made when hiring new staff members and is limited to the first year of employment. A sign-on-bonus will only occur on the condition that Anadolubank Nederland N.V. has a sound and strong capital base and it is subject to ex-post risk adjustment. Further requirements are elaborated hereunder.

## 6.3. Ex-ante risk assessment

The total variable remuneration amount is paid or vests only if it is sustainable based on a combination of the assessment of:

- ▶ The overall results of Anadolubank Nederland N.V.,
- ▶ The performance of the business unit concerned; and
- ▶ The performance of the individual as evidenced by an objective performance appraisal based on SMART objectives.

The following elements, which are not limitative, may prevent variable remuneration in total or partially:

- ▶ The conduct of the individual or the business unit is contradicting the values and codes of conduct of Anadolubank Nederland N.V.;
- ▶ Unacceptable risks have been taken;
- ▶ Involvement of the individual or business unit in integrity and compliance issues;
- ▶ The nature and scope of operational risk incidents.

The assessment takes place in a multiyear framework. Individual performance will be assessed based on annual performance assessments with taking into account current and future risks.

## 6.4. Ex-post risk assessment (Malus/ Claw back)

The ex-post risk assessment is conducted before the moment of vesting of each of the parts (i.e. based on pro-rata vesting) of the deferred variable remuneration. The result of this reassessment is submitted for approval to the Supervisory Board member who supervises remuneration and will result in a downward adjustment of the deferred, conditionally granted variable remuneration.

Up to 100% of the total variable remuneration shall be subject to Malus or Claw back arrangements. Malus and/or Claw back arrangements cover in particular the following events:

- ▶ The staff member has failed to meet appropriate standards of fitness and trustworthiness; there is evidence of misbehavior, fraud, misleading information or breach of the Bank's Code of Conduct.



- ▶ The staff member participated in or was responsible for conduct which resulted in significant losses to Anadolubank Nederland N.V.

The Management Board and/or the Supervisory Board are entitled to take a range of actions to remedy material risk/compliance failures or misconduct for its review and consideration, including but not limited to:

- ▶ Termination of employment;
- ▶ Initiating a disciplinary action;
- ▶ Reducing, canceling or seeking reimbursement of any paid or awarded variable remuneration.

All of the above remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

## **6.5. Method of payment**

### **6.5.1. Proportionality**

In taking measures to comply with the remuneration principles Anadolubank complies in a way and to the extent that is appropriate with its size, internal organization and the nature, scope and complexity of its activities.

### **6.5.2. Upfront/Deferred Payments**

In the event the Bank awards variable remuneration, the variable remuneration comprises of an upfront (60%) and a deferred (40%) component. Payment of the unconditional upfront (60%) part will be made after the performance period. The payment of the conditionally deferred 40% part will be made in equal parts over the deferral period of 3 years and is subject to ex post performance adjustments as described in this Policy, designed to align incentives with the longer-term interests of Anadolubank Nederland N.V. No interest will be paid over the deferral period.

### **6.5.3. Cash/Non-Cash Payments**

Payments are made only in cash, based on an internal risk assessment which consists of;

- ▶ Anadolubank Nederland N.V. remains unlisted and non-cash payments are not possible or convenient;
- ▶ Risks arising from the cash payment are adequately managed, using a calculation of variable remuneration which is based on the sustainable income of the Bank and the remuneration structure encourages staff members to act in line with the Bank's long-term interests;

### **6.5.4. Certainty of Payments**

Payment of both the upfront variable remuneration and the deferred variable remuneration is at the full and sole discretion of Anadolubank Nederland N.V. and is conditional upon the staff

member's continuous employment until such time as variable remuneration vests. Any rights on deferred variable remuneration will extinguish in the event of termination of the employment before the end of the deferred term.

#### **6.5.5. Monetary/Goods Payments**

Variable Remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of this Policy and are solely made in a fully transparent manner.

#### **6.5.6 Category Level**

When a selected category of Identified Staff can receive a variable remuneration of no more than one monthly salary and/or an amount of no more than EUR 10.000,- gross, this category may be exempted from a more rigorous regime of control measures. For other Identified Staff members, the following applies: as the variable salary rises in relation to the fixed component, the control measures must also be increased in the form of deferred payment.

### **6.6. Welcoming and exit packages**

Under exceptional circumstances welcome or severance payments can be granted. Welcoming and exit packages to staff must be in compliance with this Policy and may never be of excessive nature. The limitations and requirements apply for all employees.

Welcoming packages, including compensation or buy out from contracts in previous employment, are only used in exceptional situations. These payments are only allowed if they are granted in the first year of employment and provided that the Bank has a sound and strong capital base and the payment align with the long-term interest of the Bank.

In case of an early termination, employee will pay the amount received back to the Bank, pro rata for the days he / she won't be working with respect to the initial obligatory contract duration, including "x"% interest rate to be accrued on the remainder, from the date of resignation until the ending date of obligatory contract duration

Subject always to applicable employment law, Anadolubank Nederland N.V. will solely grant an employee a severance payment if connected with realized performance in the course of time and provided that it cannot be considered as a 'reward for failure'. Payments relating to the early termination of a contract at own initiative of the employee is not allowed. Also payments are subject to the employee's or individual's performance achieved over time and do not reward failure or misconduct of the employee and with respect to a member of the Management Board, the failure of Anadolubank Nederland N.V.

In the event of dismissal or redundancy, remuneration or severance payment will in principle not exceed one year of the Fixed Remuneration component paid per annum. In case of circumstances that justify a higher severance payment, the amount may in any event not exceed two years of Fixed Remuneration. The latter does not apply in case a (cantonal) judge will oblige Anadolubank to grant the member of the Management Board a higher severance payment.

The severance payment will be subject to a risk adjustment prior to payment and will be approved by the Supervisory Board based on a proposal by the Supervisory Board member(s) with assigned responsibility for Remuneration matters before payment.

In case Anadolubank Nederland N.V. is obliged to reduce the maximum amount of severance payment based on changed legislation, the new maximum shall apply for the individual without Anadolubank Nederland N.V. having the obligation to pay additional remuneration to the individual employee.

#### **6.7. No personal hedging allowed\***

Identified Employees are required not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their Remuneration arrangements. Any insurance policy applied or that is applicable to cover for personal indemnification of Board Members of Anadolubank Nederland N.V. for liabilities when performing their duties and tasks is not considered as a personal hedging strategy or remuneration- and liability-related insurance to undermine the risk alignment effects.

### **7. Disclosure**

This Policy shall be published on Anadolubank Nederland N.V.'s corporate website in accordance with article 25 RBB.

### **8. Changes**

This Policy replaces and takes precedence over all other written or unwritten policies relating to Remuneration within Anadolubank Nederland N.V.

In the event the provisions of (employment) contracts shall require to be amended as a result of the adoption of this Policy, proper procedures will be carried out in order to effect such amendments.

This Policy can be unilaterally amended with approval of the Supervisory Board. In the event of changes to the applicable legislation and regulation, this Policy will be adjusted accordingly.

## Appendix I – Identified Staff

Anadolubank Nederland N.V. determines Identified Staff on the basis of the criteria, but not limited to, laid down in the “Regulatory Technical Standard Identified Staff (RTS IS)”. In addition, Anadolubank Nederland N.V. can use any other criteria that the Bank considers warranted to ensure that all staff having a material impact on the organization’s particular risk profile are identified, based on their authority and responsibilities and the organization’s risk and performance indicators, its internal organization and the nature, scope and complexity of its activities.

At Anadolubank Nederland N.V., Identified Staff is structured as follows:

### Category 1: Senior management

All staff members in senior management positions qualify as Identified Staff, unless they have no impact whatsoever on management or control functions. Members of the Supervisory Board are not part of the staff of Anadolubank Nederland. However the policy applies to members of the Supervisory Board as well.

The following staff members are identified as senior management:

Category Members
Management Board Members
Head of Internal Audit Department
Head of Compliance Department
Head of Risk Management Department
All the Department Heads reporting to Management Board

### Category 2: Staff members involved in business lines or activities that have a material impact on the risk profile

Staff members (relationship managers, Head of Retail Banking and all client facing staff) who are not part of senior management, but whose activities have a material impact on the Bank's risk profile are to be classified as Identified Staff.

Category Members
Client Facing Staff
Relationship Managers
Treasury Department Traders
Risk Committee Members
A and B level authorized persons in the Power of Attorney
Credit Management Department Staff

### **Category 3: Staff members whose remuneration has a strong impact on the risk profile**

Staff members who do not fit into either of the two categories described above but whose total remuneration has a strong impact on the risk profile are also considered to be Identified Staff.

Category Members
Staff members whose total remuneration is on a par with that of staff members classified in Categories 1 and 2
Staff members whose total gross annual remuneration exceeds 100.000 EUR.