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**GVERNER**

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 and 57/2017), Article 1 is amended to read:

"(1) This Decision governs the procedures and the criteria relating to the remuneration policy, in particular;

- the definition and type of staff remuneration;
- the criteria for determining identified staff;
- the requirements related to staff remuneration and the manner and scope of application of these requirements; and
- the manner and time limits for reporting to the Croatian National Bank on staff remuneration.

(2) This Decision transposes into Croatian legislation the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (Text with EEA relevance)(Official Journal EU L 150/2019).

(3) The provisions of this Decision shall apply to all credit institutions which have their head offices in the Republic of Croatia and are authorised by the Croatian National Bank.

(4) The provisions of this Decision shall apply *mutatis mutandis* to branches of third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country credit institution.

(5) Credit institutions shall comply with the provisions of this Decision on an individual and consolidated basis in accordance with Articles 97, 97a and 277 of the Credit Institutions Act."

#### **Article 2**

In Article 2, item (9) is amended to read:

"9) 'Discretionary pension benefits' means variable remuneration as defined in point (73) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, hereinafter referred to as "Regulation (EU) No 575/2013") as last



amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (OJ L 204, 26.6.2020).".

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 risk profile in accordance with the criteria set out in Article 27 of this Decision and Commission Delegated Regulation (EU) supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for defining managerial responsibility, control functions, material business units and material impact on the risk profile of a material business unit and set out the criteria for determining staff or categories of staff whose professional activities have a comparable impact on an institution's risk profile as the staff or categories of staff referred to in Article 92, paragraph (3) of that Directive (hereinafter referred to as "Commission Delegated Regulation (EU) on identified staff").".

In Article 2, item (13) is amended to read:

"13) 'Senior management' shall have the meaning as defined in Article 3, paragraph (1), item (90) of the Credit Institutions Act.".

In Article 2, item (35) is amended to read:

"35) 'Material business unit' shall have the meaning as defined in Article 1, item (3) of Commission Delegated Regulation (EU) on identified staff.".

In Article 2, after item (36), items (37), (38), (39), (40) and (41) are added which read:

"37) 'Institution' shall have the meaning as defined in Article 4, paragraph (1), item (3) of Regulation (EU) No 575/2013.

38) 'Credit institution which is not a large credit institution' shall have the meaning as defined in Article 3, paragraph (1) item (28a) of the Credit Institutions Act.

39) 'Small and simple credit institution' shall have the meaning as defined in Article 3, paragraph (1) item (29c) of the Credit Institutions Act.

40) 'Small remuneration' shall have the meaning as defined in Article 3, paragraph (1), item (29d) of the Credit Institutions Act.

41) 'Gender neutral remuneration policy' shall have the meaning as defined in Article 3, paragraph (1) item (62a) of the Credit Institutions Act.".

### **Article 3**

In Article 3, after paragraph (2) a new paragraph (3) is inserted which reads:

"(3) The remuneration policy referred to in paragraphs (1) and (2) of this Article shall be a gender neutral remuneration policy.".

The former paragraph (3) becomes paragraph (4).



## Article 4

Article 4 is amended to read:

"(1) Credit institutions shall meet the obligations set out in Articles 5 to 42 of this Decision by applying the principle of proportionality, i.e. in a way and to the extent that is appropriate to their size, internal organisation and the nature, scale and complexity of their activities.

(2) To comply with the principle of proportionality, credit institutions shall consider the following criteria:

- 1) the balance sheet and profit and loss account structure;
- 2) available equity and debt instruments;
- 3) the authorisation to use internal approaches for calculating capital requirements;
- 4) the proportionality assessment done for the group, if the credit institution is a part of a group of credit institutions in the Republic of Croatia;
- 5) types of services provided to clients and types of clients (e.g. retail clients, corporate clients, small businesses, public entities);
- 6) business strategy, the structure of business activities, the measurability and predictability of the risks of business activities;
- 7) funding structure;
- 8) internal organisation, including the level of variable remuneration that can be paid to identified staff;
- 9) the complexity of products;
- 10) the geographical presence and the size of the operations in each jurisdiction; and
- 11) whether the credit institution meets/ (fails to meet) the criteria to be classified as a credit institution which is not a large credit institution.

(3) When applying requirements set out in this Decision in a proportionate way, credit institutions shall consider their risk profile, risk appetite and other characteristics and develop and implement remuneration policies that are appropriately aligned with the business strategy, objectives, values and long-term interests of the credit institution.

(4) Before remuneration requirements are applied in a proportionate way, credit institutions shall determine identified staff and apply the limitation of the maximum ratio between the variable and fixed components of total remuneration in accordance with Article 20 of this Decision to all staff members in the credit institution.

(5) A credit institution which is not a large credit institution shall not be subject to the provisions referred to in Article 8 and Articles 38 to 42 of this Decision.



(6) At the request of the Croatian National Bank, credit institutions shall explain the manner in which they performed the analysis of the criteria referred to in paragraphs (2) and (3) of this Article and submit all relevant documentation.

(7) Credit institutions shall meet the obligations set out in Articles 27 to 42 of this Decision by applying the principle of proportionality, i.e. in a way that is appropriate to the impact of identified staff on the credit institution's risk profile."

### **Article 5**

Article 5 is amended to read:

"(1) Members of the supervisory board shall collectively possess adequate knowledge, skills and experience related to remuneration policy and practice, including the mechanisms for the alignment of remuneration structure with the credit institution's risk profile and capital structure.

(2) When exercising their duties referred to in Articles 49, paragraph (1), items (7) and (8) of the Credit Institutions Act the supervisory board of a credit institution shall:

- 1) approve any subsequent exemptions made for individual identified staff members and changes to the remuneration policy;
- 2) adopt the decision on the maximum amount of variable remuneration which the credit institution determines for all staff members in the business year for a certain assessment period;
- 3) on an individual basis, adopt the decision on the remuneration of management board members and persons responsible for the operation of control functions,
- 4) adopt the decision on the reduction or non-payment of variable remuneration to staff, including the application of malus or clawback clauses in case of a significant downturn in performance or losses of the credit institution, in accordance with Article 37 of this Decision; and
- 5) adopt the decision on the possible use of severance payments, including the maximum amount or criteria for the determination of such amounts that can be awarded as severance pay to staff.

(3) The management board of the credit institution shall establish the remuneration policy subject to the approval of the supervisory board and be responsible for its implementation. The management board shall implement the decisions of the supervisory board referred to in paragraph (2), items (2) to (5) of this Article in line with the remuneration policy. The management board may determine the remuneration of staff not mentioned in paragraph (2), item (3) of this Article on a collective basis."

### **Article 6**

In Article 7, paragraphs (1) to (5) are amended to read:

"(1) A parent credit institution in a group of credit institutions in the Republic of Croatia shall establish a remuneration policy at group level of a group of credit institutions in the Republic of Croatia and ensure it is applied in all subsidiaries in the scope of prudential consolidation in accordance with the provisions of Articles 97, 97a and 277 of the Credit Institutions Act.



(2) When establishing a remuneration policy to be applied on a consolidated and a sub-consolidated basis for a group of credit institutions in the Republic of Croatia, a parent credit institution in the Republic of Croatia shall take account of the following:

- 1) the size, internal organisation and the nature, scale and complexity of activities of individual subsidiaries, taking account of the level of risk that an individual subsidiary poses for the parent credit institution;
- 2) specifics of national legal frameworks in which individual subsidiaries operate (e.g. tax regulations, possible differences between the national implementations of the limitation of the maximum ratio between the variable and fixed components of the total remuneration of an individual staff member and the requirements referred to in Articles 27 to 42 of this Decision and regulations governing employment);
- 3) possible differences between business models of the parent credit institution and its subsidiaries;
- 4) possible differences between management systems of the parent credit institution and its subsidiaries;
- 5) specifics of prudential requirements in other financial sectors, if members of the group of credit institutions in the Republic of Croatia perform activities outside the scope of the Credit Institutions Act; and
- 6) other circumstances which the credit institution deems relevant.

(3) A parent credit institution in a group of credit institutions in the Republic of Croatia shall ensure that a subsidiary in the scope of prudential consolidation which is not a credit institution referred to in Article 97a, paragraph (1) of the Credit Institutions Act has a remuneration policy aligned with the remuneration policy of the group applied to:

- 1) all staff; and
- 2) the identified staff in the subsidiary whose professional activities have a material impact on the group's risk profile.

(4) The provisions on the maximum ratio between the variable and fixed components of total remuneration shall apply to the subsidiary referred to in Article 97a, paragraph (1) of the Credit Institutions Act.

(5) A parent credit institution in a group of credit institutions in the Republic of Croatia shall for a subsidiary established in a third country, if such subsidiary, had it been established in the European Union, would not be subject to special remuneration regulations in accordance with other regulations of the European Union, and which is included in the scope of prudential consolidation:

- 1) as part of the remuneration policy, set the maximum ratio between the variable and fixed components of total remuneration at group level and ensure that the instruments used to pay out variable remuneration are in line with the provisions of Article 39 of this Decision, unless this would be contrary to the regulations of the third country in which the subsidiary is established; and
- 2) ensure that its remuneration policy is aligned with the group's remuneration policy:
  - applied to all staff; and



- applied to the identified staff in the subsidiary whose professional activities have a material impact on the group's risk profile."

#### **Article 7**

In Article 8, paragraph (1) is amended to read:

"(1) The supervisory board of a credit institution shall establish a remuneration committee in accordance with the provisions of Article 50, paragraph (1) of the Credit Institutions Act. Where a small and simple credit institution sets up a remuneration committee, the tasks of the remuneration committee may be combined with other tasks as long as they do not create conflict of interests."

In Article 8, paragraph (2), items (1) and (3) are amended to read:

"1) providing support to the supervisory board with regard to the establishment and regular review of the basic principles of the remuneration policy referred to in Article 49, paragraph (1), items (7) and (8) of the Credit Institutions Act;

3) preparing decisions of the supervisory board referred to in Article 5, paragraph (2) of this Decision;"

#### **Article 8**

In Article 9, paragraphs (1) and (2) are amended to read:

"(1) The remuneration committee or, if the credit institution is not obliged to establish a remuneration committee in accordance with the provisions of Article 50, paragraph (2) of the Credit Institutions Act, the supervisory board of the credit institution, shall review the remuneration policy on an annual basis at a minimum and assess the compliance of remuneration policy implementation:

- 1) with the credit institution's policies and possible procedures for remuneration; and
- 2) with the relevant regulations, standards, principles and codes.

(2) Remuneration policy review shall particularly assess:

- 1) whether remuneration payouts are aligned with the business strategy and whether they adequately reflect the credit institution's risk profile, long-term interests and other objectives;
- 2) whether they are in line with Article 140 of the Credit Institutions Act and whether they limit the credit institution's ability to maintain or increase its capital;
- 3) whether the criteria and the procedure for the exclusion of identified staff are in line with Article 6(2), (3) and (4) of Commission Delegated Regulation (EU) on identified staff; and
- 4) whether they are consistently implemented across the group of credit institutions in the Republic of Croatia."

In Article 9, paragraph (5) is amended to read:

"(5) Small and simple credit institutions may outsource the procedure referred to in paragraph (1) of this Article in accordance with the provisions of the Credit Institutions Act and regulations adopted on the basis thereof. If, in the course of the procedure referred to in paragraph (1) of this Article, the service



provider identifies deficiencies in the remuneration policy or its implementation, the supervisory board shall adopt a remedial plan and ensure its implementation without delay."

In Article 9, paragraphs (7) and (8) are amended to read:

"(7) The internal audit function of the parent credit institution in a group of credit institutions in the Republic of Croatia shall review the remuneration policy and assess compliance of its implementation for a group of credit institutions in the Republic of Croatia.

(8) Small and simple credit institutions which are a subsidiary in a group of credit institutions in the Republic of Croatia may entrust the review of the remuneration policy and assessment of compliance of its implementation to the internal audit function of the parent credit institution in the group of credit institutions in the Republic of Croatia, provided that the following conditions are met;

- 1) the subsidiary is included in the review on a consolidated basis; and
- 2) review results are available to the supervisory board of the subsidiary."

#### **Article 9**

In Article 14, paragraph (2), item (2) is amended to read:

"2) they are limited to cases where the ratio between the variable and fixed components of total remuneration would exceed the allowed ratio referred to in Article 100a, paragraphs (1) and (2) of the Credit Institutions Act; and"

#### **Article 10**

In Article 20, paragraphs (5) and (6) are amended to read:

"(5) Credit institutions shall set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component of the total remuneration in accordance with Article 100a, paragraph (1) of the Credit Institutions Act.

(6) By way of derogation from paragraph (5) of this Article, credit institutions may set the amount of the variable component of the total remuneration up to double the amount of a staff member's fixed component of the total remuneration provided that all of the conditions laid down in Article 100a, paragraphs (2) and (3) of the Credit Institutions Act are met."

In Article 20, paragraphs (7) and (9) are deleted.

In Article 20, paragraph (8) becomes paragraph (7) and is amended to read:

"(7) Credit institutions shall, within five business days after the date the general meeting was held, submit to the Croatian National Bank the information referred to in Article 100a, paragraph (4) of the Credit Institutions Act on the from in Annex 1 to this Decision as well as other information requested by the Croatian National Bank."

In Article 20, paragraph (10) becomes paragraph (8).

#### **Article 11**

In Article 24, paragraph (2) is amended to read:

"(2) When assessing the impact of total variable remuneration on the credit institution's ability to maintain or increase the amount of capital, a credit institution shall take into account its overall own funds, in particular the common equity tier 1 capital, the combined buffer requirement, the leverage ratio buffer requirement and the minimum requirement for own funds and eligible liabilities (MREL), and the restrictions on distributions referred to in Article 140 of the Credit Institutions Act and regulations governing the resolution of institutions as well as the results of the internal capital adequacy assessment process. Total variable remuneration shall also include variable remuneration that may be awarded for that year and the amount of variable remuneration that will be paid out or vested in that year."

## Article 12

Article 27 is amended to read:

"(1) Credit institutions shall consider the following as identified staff:

- 1) members of the management board, supervisory board and senior management of the credit institution;
- 2) persons responsible for the operation of control functions and relevant business units;
- 3) staff members entitled to material remuneration from the preceding business year, where the following conditions are met:
  - the remuneration of the staff member equals or exceeds the amount equivalent to EUR 500 000 or more and is equal or greater than the average remuneration awarded to members of the management board, supervisory board and senior management of the credit institution referred to in item (1) of this Article; and
  - the staff member carries out activities at a material business unit and these activities have a material impact on the risk profile of the relevant business unit;
- 4) identified staff determined by applying the criteria laid down in the Commission Delegated Regulation (EU) on identified staff and, where applicable, by applying additional criteria set out by the credit institution.

(2) Credit institutions shall annually perform and properly document the process of re-identification of staff based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) on identified staff. The documentation shall include the following information:

- 1) the rationale underlying the re-identification of staff and the scope of its application;
- 2) the approach used to assess the risks emerging from the credit institution's business strategy and activities;
- 3) the approach used to assess persons working in credit institutions and other subsidiaries within the scope of consolidation and branches, including such located in third countries;
- 4) the powers and responsibilities of the different credit institution bodies and functions involved in the design, oversight, review and application of the re-identification process;



- 5) results of the re-identification, including the number of identified staff members, the number of staff identified for the first time, business tasks and activities which identified staff members perform and business areas in which identified staff members work, names or personal identification numbers of identified staff and a comparison with the results of the identification performed in the preceding business year; and
- 6) where applicable, evidence of compliance with the conditions referred to in Article 6(2) of Commission Delegated Regulation (EU) on identified staff for staff members identified on the basis of the quantitative criteria referred to in Article 6(2) of this Regulation but for whom the credit institution determined that their professional activities do not have a material impact on the credit institution's risk profile.

(3) For the purpose of determining identified staff at the beginning of the current business year based on quantitative criteria referred to in Article 6(1) of Commission Delegated Regulation (EU) on identified staff, credit institutions shall take into account all monetary and non-monetary remuneration components awarded to an individual staff member in the preceding business year, independent of the fact when remuneration was paid out.

(4) Credit institutions shall periodically update the identification process at least with regard to the qualitative criteria referred to in Article 5 of Commission Delegated Regulation (EU) on identified staff. Staff identified on the basis of qualitative criteria for a period of at least three months in a business year shall be considered identified staff for that business year.

(5) At the request of the Croatian National Bank, credit institutions shall explain the manner in which they determined identified staff based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) on identified staff and other internal criteria and submit all relevant documentation."

### **Article 13**

The Title above Article 28 and Article 28 are amended to read:

### **"Prior approval of exclusions**

### **Article 28**

(1) Where a credit institution identifies staff based on quantitative criteria set out in Article 6(1) of the Commission Delegated Regulation (EU) on identified staff and determines that their professional activities do not have a material impact on the credit institution's risk profile based on the criteria set out in Article 6(2) of that Regulation, the credit institution shall at the latest within six months after the end of the preceding business year submit to the Croatian National Bank a request for prior approval to exclude staff from the application of the provisions referred to in Articles 31 to 41 of this Decision.

(2) In addition to the request for prior approval referred to in paragraph (1) of this Article, credit institutions shall also include the names or personal identification numbers of identified staff to which exclusions apply, the percentage of internal capital allocated to the business unit or subsidiary and the analysis of the impact of the staff member on the credit institution's risk profile under the criteria set out in Article 6(2) of Commission Delegated Regulation (EU) on identified staff.

(3) By way of derogation from paragraphs (1) and (2) of this Article, provisions of Decision (EU) 2015/2218 of the European Central Bank of 20 November 2015 on the procedure to exclude staff members from the presumption of having a material impact on a supervised credit institution's risk profile (OJ L



314/66, 1.12. 2015) shall apply *mutatis mutandis* to significant credit institutions referred to in Article 11c of the Credit Institutions Act.

(4) The decision on the exclusion referred to in paragraph (1) of this Article shall be taken by the management board subject to the approval of the supervisory board.

(5) The Croatian National Bank shall decide on the request referred to in paragraph (1) of this Article in accordance with the powers referred to in Article 6 of Commission Delegated Regulation (EU) on identified staff."

#### **Article 14**

In Article 29, paragraph (1), item (4) is amended to read:

"4) approving any exclusion of staff in accordance with Article 6(2) of Commission Delegated Regulation (EU) on identified staff."

#### **Article 15**

In Article 30, paragraphs (1) to (4) are amended to read:

"(1) A parent credit institution in a group of credit institutions in the Republic of Croatia shall, on a consolidated and sub-consolidated basis, in accordance with Articles 97, 97a and 277 of the Credit Institutions Act, identify staff having a material impact on the group's risk profile by applying the criteria set out in Commission Delegated Regulation (EU) on identified staff and on the basis of consolidated information. The qualitative criteria referred in Article 5 of Commission Delegated Regulation (EU) on identified staff shall apply in the process of identifying staff members in a subsidiary if such staff members are responsible for the functions referred to in these criteria on a consolidated or sub-consolidated basis.

(2) The parent credit institution referred to in paragraph (1) of this Article shall ensure that all subsidiaries in the scope of the prudential consolidation, except the subsidiaries referred to in Article 97a, paragraph (1) of the Credit Institutions Act:

- 1) implement group remuneration policy and actively participate in the identification process at group level; and
- 2) submit information necessary to perform the identification of staff at group level.

(3) The parent credit institution referred to in paragraph (1) of this Article shall perform the identification process for subsidiaries which are not institutions or subsidiaries referred to in Article 97a, paragraph (1) of the Credit Institutions Act on an individual basis and based on the information submitted by subsidiaries.

(4) Small and simple credit institutions included in the identification process on a consolidated basis, may delegate the identification process on an individual basis to the parent credit institution referred to in paragraph (1) of this Article."

#### **Article 16**

The title above Article 38 is amended to read:

**"III.3 SPECIFIC REQUIREMENTS ON THE REMUNERATION POLICY FOR CREDIT INSTITUTIONS NOT SUBJECT TO EXCLUSIONS ON DEFERRAL AND PAYMENT OF VARIABLE REMUNERATION IN INSTRUMENTS"**

In Article 38, paragraph (5) is amended to read:

"(5) The length of the deferral period for the variable remuneration component shall not be shorter than four to five years. For members of the management board, the supervisory board and senior management, the deferral period shall not be shorter than five years."

#### **Article 17**

In Article 39, paragraphs (4) and (5) are amended to read:

"(4) In accordance with Article 100b of the Credit Institutions Act, credit institutions may use the instruments referred to in items (3) and (4) of paragraph (3) of this Article only if the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself.

(5) If possible, for the purposes of the requirements set out in this Decision, credit institutions shall use an appropriate ratio of the instruments referred to in paragraph (3), items (1) to (4) of this Article and the instruments referred to in paragraph (3), item (5) of this Article."

#### **Article 18**

In Article 42, paragraph (1) is amended to read:

"(1) Credit institutions shall not be required to apply the provisions of Articles 38 to 41 of this Decision to small remuneration of staff members in accordance with the provisions of Article 100, paragraph (2) of the Credit Institutions Act."

#### **Article 19**

Title V, the title above Article 44 and Article 44 are deleted.

Titles VI, VII, and VIII become Titles V, VI and VII.

#### **Article 20**

(1) Variable remuneration awarded and paid out for the assessment period ending on 31 December 2020 shall be subject to the provisions of regulations in force until the entry into force of this Decision.

(2) This Decision shall enter into force on the eighth day following its publication in the Official Gazette.

No: 2-020/01-21/BV  
Zagreb, 5 January 2021

**Croatian National Bank  
Governor**



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**Boris Vujčić**