



**SIF BANAT-CRIȘANA**

SOCIETATE DE INVESTIȚII FINANCIARE



# REMUNERATION POLICY

— of SIF Banat-Crișana —

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## 1. GENERAL FEATURES

SIF Banat-Crișana is a Romanian legal entity, established as a joint stock company with entire private capital, operating as a self-managed alternative investment fund, based on the authorization of the Financial Supervisory Authority (ASF). The investment objective of SIF Banat-Crișana is the management of a diversified portfolio of quality assets, apt to ensure both short-term revenues generating and medium to long-term preservation and growth of capital.

SIF Banat-Crișana was established as a joint stock company in November 1996, through the reorganization and transformation of the *Private Property Fund I Banat-Crișana*, pursuant to Law no. 133/1996 *for the transformation of private property funds into financial investment companies*.

## 2. PURPOSE AND SCOPE

The Board of Directors has approved the remuneration policy to ensure that the remuneration of the company's personnel is in line with and promotes sound and efficient risk management and does not encourage risk-taking that contradicts the company's risk profile and its constitutive acts.

The purpose of the remuneration policy is to describe the remuneration practices of the Company in relation to the *identified personnel* of the company, as defined in these remuneration policies.

The remuneration policy applies to the company's management and to those categories of personnel whose professional activities have a significant impact on the risk profile of SIF Banat-Crișana.

Any fees and / or charges paid to third parties under contracts concluded for the outsourced activities are not covered by this remuneration policy. Also, the settlement of expenses incurred by the company's staff for business purposes is not considered remuneration for the purposes of these policies.

## 3. REFERENCE DOCUMENTS

- Law 74/2015 on managers of alternative investment funds
- ESMA Guide on sound remuneration policies under the AIFMD
- ASF Regulation no. 10/2015 on alternative investment fund management, with subsequent amendments and completions
- Law 31/1990 on trading companies
- Law no. 24/2017 on issuers of financial instruments and market operations, with subsequent amendments and completions, especially those introduced by Law no. 158/2020
- ASF Regulation No.10/2015 on Alternative Investment Fund Management
- ASF Regulation no. 2/2016 on the application of the principles of corporate governance by the entities authorised, regulated, and supervised by the Financial Supervisory Authority
- Any other normative act that regulates the activity of SIF Banat-Crișana.

## 4. DEFINITIONS

*identified personnel / company personnel* - categories of personnel, including senior management, risk-takers, those with *control functions* and any employee who receives a total remuneration that places them in the same *remuneration category* as the persons in management positions and risk-takers, whose professional activities have a significant impact on Company's risk profile.

*control functions* - personnel (other than senior management) responsible for risk management, compliance, internal audit and similar functions within the Company (e.g. the Financial Reporting Manager, to the extent that he/she is responsible for preparing the financial statements);

*remuneration category* - the range in which the total remuneration of each of the staff members in the category of senior management and the category of persons taking risks is situated - from the highest remunerated person to the one with the lowest level of remuneration in these categories;

*instruments* - shares of the company or equivalent equity investments or instruments related to shares or equivalent non-monetary instruments.

*supervisory function* - the relevant persons or body(ies) responsible for supervising the senior management of the AIFM and for regularly assessing and examining the adequacy and effectiveness of the risk management process and the policies, measures and procedures established to comply with the obligations under the law AIFM. The supervisory function shall be understood to be that member or members of the *management body* responsible for those functions. Within SIF Banat-Crișana, the supervisory function is exercised by the non-executive members of the company's board of directors.

*malus* - the measure allowing SIF Bana-Crișana to prevent the granting of deferred remuneration, in whole or in part, depending on the results in terms of the risks or performance of SIF Banat-Crișana as a whole, the operational unit and, if possible, the staff member. Malus is a form of ex-post risk adjustment.

*recovery mechanism* - a contractual agreement by which the member of personnel agrees to return part of the remuneration in certain circumstances. This measure can be applied to both the initial remuneration and the deferred variable remuneration. When associated with risk outcomes, the recovery mechanism is a form of ex-post risk adjustment.

*management body* - the governance body of the company, the board of directors of SIF Banat-Crișana;

*retention period* - the period in which the variable remuneration that has already been granted and paid in the form of instruments cannot be sold.

*accumulation period* - the period in which the performance of the personnel member is evaluated and measured in order to establish his/her remuneration.

*deferral period* - the deferral period is the period in which the variable remuneration is retained after the end of the accumulation period.

*grant point* - part of the remuneration is granted when the staff member receives the payment and becomes the legal holder of the remuneration.

*remunerations* - For the purposes of this policy, remunerations consist of all forms of payments or allowances, any amount, including interest thereon, and any transfer of shares of the Company, paid by the Company to identified personnel, in exchange for professional services provided by such persons.

*fixed remuneration (component)* - form of payment or indemnity paid by the company without considering some performance criteria;

*variable remuneration (component)* - form of payment or additional indemnity paid by the company considering some performance criteria; *quantitative criteria* - mainly numerical or financial data used to determine the remuneration of a relevant person (e.g., value of instruments sold, sales volumes, setting performance targets, etc.);

*qualitative criteria* - other than quantitative criteria. The term can also refer to numerical or financial data used to assess the quality of the relevant person's performance, for example, return on investment, very small number of long-term complaints, etc.

## 5. GENERAL PRINCIPLES

- a) The remuneration policy of the management and personnel of SIF Banat-Crișana is compatible with sound and effective risk management and promotes this type of management, without encouraging taking risks incompatible with the risk profile, the internal rules or with the company's articles of association;
- b) The remuneration policy is based on the values and beliefs of the organization, is compatible with the business strategy, objectives, values and interests of SIF Banat-Crișana, as well as with the interests of investors and includes measures to avoid conflicts of interest;
- c) The Board of Directors (management body) of SIF Banat-Crișana, within its supervisory function, periodically adopts and reviews the general principles of the remuneration policy and is responsible for its application;
- d) The application of the remuneration policy shall be subject, at least once a year, to a central and independent internal evaluation of compliance with the remuneration policies and procedures adopted by the management body in its supervisory function;
- e) Staff members holding control functions shall be remunerated according to the achievement of the objectives related to their functions, regardless of the results of the trading sectors they control;
- f) The remuneration of persons in charge of risk management and compliance ensures that it is directly supervised by the board of directors.
- g) Performance-based remuneration is calculated based on an assessment that combines the performance of the individual and the business unit concerned with the overall results of the Company.
- h) There is an appropriate balance between the fixed and the variable component of total remuneration, and the fixed component represents a sufficiently high percentage of total remuneration to allow for the application of a policy as flexible possible on variable components of remuneration, including the possibility of not paying any variable component of remuneration;
- i) Payments related to the early termination of a contract reflect the performance achieved over time and are designed so as not to reward failures;
- j) Variable remuneration is paid or granted only if it is sustainable depending on the financial position of the Company as a whole and is justified by the performance of the operating unit within the company and the person concerned.
- k) The company's personnel have the obligation not to use personal coverage or insurance strategies related to remuneration or liability in order to undermine the effects of the risk alignment provided in their remuneration schemes;
- l) Variable remuneration is not paid through instruments or methods that facilitate the avoidance of compliance with the requirements of the remuneration policies applicable within SIF Banat-Crișana.

## 6. PROPORTIONALITY PRINCIPLE

The company must comply with the remuneration principles set out in the applicable legal regulations considering and to the extent that they are appropriate to its size, internal organization and the nature and complexity of its activities.

The application of the proportionality principle may lead to non-application of the remuneration principles of the identified personnel if it is reconcilable with the strategy, the profile and the risk appetite of the company and the assets under management.

The ESMA Guidance on Sound Remuneration Policies under the AIFMD provides that only certain rules on remuneration may not be applied on grounds of proportionality, namely:

*(a) Requirements for the payment of remuneration procedure.*

This means that SIF Banat-Crișana, either for all identified personnel or only for certain categories of identified personnel may decide not to apply the requirements regarding;

- Variable remuneration in instruments;
- Retention;
- Postponing; and
- Ex-post inclusion of variable remuneration risks.

*(b) Requirement to set up a remuneration committee.*

The ESMA Guide on Sound Remuneration Policies under the AIFMD sets out the relevant criteria for the application of the principle of proportionality, namely:

- (i) the size of the AIFM and / or the AIF funds it manages;
- (ii) its internal organization; and
- (iii) the nature, scope and complexity of its activities.

### 6.1. SIZE OF THE COMPANY

According to the ESMA Guidelines on Sound Remuneration Policies under the AIFMD, the size criterion may refer to: (i) the value of the capital of the AIFM and the value of the AIF assets under management (including any assets obtained through the use of leverage); (ii) the liabilities or risk exposure of the AIFM and the assets under management; (iii) the number of staff members or branches of the AIFM.

The total value of the assets under SIF Banat-Crișana management is below 570,000,000 Euro.

The company has a single branch in Bucharest.

The company has less than 40 employees.

### 6.2. INTERNAL ORGANIZATION OF THE COMPANY

According to the ESMA Guide on Sound Remuneration Policies under the AIFMD, the internal organization can refer to the legal structure of the AIFM, the complexity of the internal governance structure, the AIFM being listed.

The company is established as a joint stock company and is managed in a unitary system by a board of directors. The company has one branch, and the number of personnel members is relatively low, as shown above, the company having less than 40 employees.

The company's shares are listed on the regulated market of the Bucharest Stock Exchange but, in accordance with the ESMA Guide on sound remuneration policies under the AIFMD, the listing of

an AIF should not in itself be sufficient to consider that the AIFM has a complex internal organization.

Being a self-governing joint stock company in a unitary system and a small number of personnel, it is considered that its governance structure / internal organization of the company is not a complex one.

### **6.3. NATURE, SPHERE AND COMPLEXITY OF ACTIVITIES**

According to the ESMA Guidance on sound remuneration policies under the AIFMD, when considering this criterion, the basic risk profiles of the professional activities carried out must be taken into account, among the relevant elements being the type of authorized activity, the type of the investment policies and strategies of the AIF under AIFM management, the national or cross-border character of the professional activities carried out, and the additional management of the UCITS.

The main object of activity of the company was strictly regulated by Law no. 133/1996 (currently repealed), and it is currently regulated by art. 5 and 6 of Law no. 74/2015, the company being assimilated to a self-managed investment fund / company.

The investment limits of the company are strictly regulated by law, which imposes the type of instruments in which one can invest as well as the limits of these investments. As such, the company may consider that the activities carried out are non-complex, and by the fact that the regulations limit the type of investments made or the scope of the investments, the investment risk is mitigated.

The company does not carry out cross-border activities, and its portfolio consists mainly of assets located in Romania.

### **6.4. CONCLUSIONS**

Considering all the above, the size, nature, internal organization, scope and complexity of the activities of SIF Banat-Crișana), the Board of Directors of the company considers that the requirements of the payment process of variable remuneration in instruments, the requirements regarding withholding and deferral, ex-post inclusion requirements for variable remuneration risks may be excepted.

The Board of Directors considers that non-application of the above requirements is reconcilable with the risk profile, the risk appetite and the strategy of the company and the assets under management.

## **7. GOVERNANCE**

### **7.1. THE ROLE OF GOVERNING BODIES**

The responsibility for establishment and supervising the remuneration policy lies with the Board of Directors of SIF Banat-Crișana, through the *supervisory function*, which will take into account the contributions of all competent corporate functions (risk management, compliance, human resources, strategic planning, etc.) involved in the remuneration policy-making process and which will make an important contribution to the process of monitoring and supervising the implementation of remuneration policies.

The Management Board, through its *supervisory function*, shall ensure that the remuneration policy complies with and promotes a sound and effective risk management. The remuneration policy relates to the professional strategy, objectives, values and interests of SIF Banat-Crișana and does not encourage excessive risk-taking, compared to the company's investment policy. The

implementation of the remuneration policy will be examined and verified (it will be assessed whether the remuneration system operates as expected and whether it complies with international regulations, principles and standards) at least once a year by the board of directors, through the *supervisory function*, which will ensure the timely remedy of any deficiencies found, and will submit it to the approval of the shareholders in the annual ordinary general meeting of shareholders, provided in art. 111 of Law no. 31/1990, republished, with subsequent amendments and completions.

## 7.2. THE ROLE OF REMUNERATION COMMITTEE

SIF Banat-Crișana set up a Nomination and Remuneration Committee (hereinafter "Remuneration Committee") within the Board of Directors, consisting of at least two administrators (members of the Board) who do not exercise executive management functions, of which at least one is an independent member, meaning complying with the independence principle provided by the regulations in force. The purpose of setting up the Remuneration Committee is to assist and advise to the supervisory function within the board of directors regarding the content and application of the remuneration policy within SIF Banat-Crișana.

The remuneration committee shall provide information appropriate to the supervisory function / board of directors and, where applicable, to the general meeting of shareholders on the activities carried out.

The remuneration committee shall comprise members of the supervisory function who do not hold management positions, the majority of whose members being independent. The Chairman of the Remuneration Committee is an independent member with no management position in the company.

The members of the Remuneration Committee have sufficient skills and professional experience in connection with risk management and control activities.

### The role of the Remuneration Committee:

- is responsible for preparing the recommendations addressed to the supervisory function, on the remuneration of the members of the management body, as well as of the members of the personnel having the highest level of remuneration in the company;
- assists and advises the supervisory function on the development, implementation and effects of the rules covered by the company's general remuneration policy;
- endorses, prior to the approval by the board of directors, and monitors the observance of the remuneration policy drawn up and applied by the company's senior management;
- has access to independent internal and external consultancy and examines the appointment of external remuneration consultants that the supervisory function may decide to hire;
- assesses the mechanisms adopted to ensure that the remuneration system takes due account of all types of risks and levels of liquidity and assets under management and that the overall remuneration policy is in line with the strategy, objectives, values and professional interests of the AIFM and AIF which also manages the investors of such AIF;
- formally review of a number of possible scenarios to test how the remuneration system will react to future external and internal events and test it retroactively as well;
- monitoring the independent central review of the implementation of remuneration policies and practices;



- collaborates with other committees of the board of directors, whose activity may have an impact on the development and operation of remuneration policies and ensures the proper involvement of internal control and other competent functions in the Company;
- submits annually to the Board of Directors or whenever the case, reports on its activity.

The remuneration committee shall have access to data and information relating to the decision-making process of the supervisory function concerning the design and implementation of the remuneration system and to information and data from the risk management and control functions, as such so as not to impede the usual activities of the company.

### 7.3. THE ROLE OF CONTROL FUNCTIONS

Within SIF Banat-Crișana, the control functions are represented by:

- risk management function - evaluates how the remuneration structure affects the risk profile of the company;
- compliance function - analyses the way in which the remuneration structure affects the company's compliance with the company's legislation and internal regulations and policies;
- internal audit function - periodically performs an independent audit of the development, implementation and effects of the company's remuneration policies.

## 8. IDENTIFIED PERSONNEL

The company identifies and reviews at least once a year the categories of personnel whose professional activities have a significant impact on the risk profile of the company, so as to apply the additional requirements provided in Law no. 74/2015 on managers of alternative investment funds.

Criteria used:

- evaluation of members of personnel according to their activity which may have a significant impact on the company's results and / or the company's balance sheet and / or performance;
- members of personnel who, by the nature of their duties, are clearly unrelated to company's risk profile (e.g. administrative or logistical support staff), except for the management positions of company's departments, may be considered as persons who do not takes risks and does not fall into the category of "identified personnel";
- those members of the staff whose total remuneration falls within the same remuneration category as that of directors and risk-taking staff may be included in the category of "identified personnel".

Determining the influence of a member of personnel on the risk profile of the company is made based on an analysis of the functions and responsibilities related to the job in the company.

Any reference made in this policy to the company's personnel shall be deemed to refer to the *personnel identified* as defined in this document.

The following categories of personnel fall into the category of *personnel identified*, unless they are shown not to have a significant impact on company's risk profile:

- **Executive and non-executive members of the board of directors** of the company;
- **The senior management**, consisting of the general director (CEO), the deputy general directors as well as any other (executive) director who has competencies in the management of daily activity of the company, in accordance with the applicable legal provisions;

- **Control function personnel:** compliance office representative, person responsible for risk management, internal auditor;
- **Personnel responsible for the management of the functional departments:** Investments dept., Accounting dept., - portfolio managers, directors, managers;
- **Other risk takers:** personnel members whose professional activities - separately or together, as members of a group (for example, a unit or part of a department) - can have a significant influence on company's risk profile, including persons who may enter into contracts / positions and make decisions that significantly affect the Company's risk positions.
- **Other employees / other persons whose total remuneration falls into the same category of remuneration** as that of the persons in management positions and of the persons who assume the risks.

## 9. PERFORMANCE AND RISK ASSESSMENT

Performance assessment is performed in an appropriate framework to ensure that the assessment process is based on performance and that the actual payment of performance-dependent remuneration components is made over a period that takes into account the Company's policies and the risks inherent in them.

The risk-aligned performance assessment considers a combination of quantitative (financial) and qualitative (non-financial) approaches, in correlation:

- the objectives / overall performance of the company
- the performance of the operational department to which the person belongs
- the criteria and indicators for assessing performance are clearly defined and adequately reflect the risks posed by staff actions.

The assessment of the individual performance of personnel is done based on a written internal procedure, which is transparently accessible to all the personnel involved. The procedure comprises explicit provisions on the principles for setting individual performance targets, as well as the criteria for assessing the achievement of these targets.

The assessment of individual performances considers:

- tasks and responsibilities of personnel members
- the general performance of the company
- team performance
- accomplishment of objectives, i.e. individual performance in relation to the requirements of the position (including agreed financial performance, but also non-financial skills, e.g. compliance with internal business procedures and internal rules of conduct)
- competitive market valuation data
- the duty of the company's personnel to act in a fair, honest, fair, professional manner and in the best interests of the company.

All members of personnel have a job description, ensuring that they are responsible and understand the responsibilities and role they have in company.

Performance assessment is carried out in a multi-annual framework appropriate to company's life cycle, ensuring that the assessment process is based on longer-term performance and that the

actual payment of performance-dependent remuneration components is made over a period that takes taking into account the investment risks of the company.

In the case of control functions, the performance evaluation is made according to the way in which these persons performed their duties, as well as according to the way in which they achieved certain objectives established by the Board of Directors of the Company. In no case will the control functions be evaluated according to the results of the compartments / lines of activity they control.

SIF Banat-Crișana promotes an effective and solid risk management, without the remuneration structure encouraging taking excessive risks, including in relation to the risks related to sustainability, being correlated with the risk-adjusted performance.<sup>1</sup>

## **10. REMUNERATION OF SIF BANAT-CRIȘANA PERSONNEL**

### **10.1. STRUCTURE OF REMUNERATIONS**

Any remuneration can be divided into:

- fixed remuneration (payments or indemnities without taking into account performance criteria);
- variable remuneration (additional payments or indemnities depending on performance or, in certain cases, other contractual criteria).

Payments or ancillary indemnities that are part of the Company's overall policy, general and non-discretionary, and do not have any incentive effects in terms of risk-taking (e.g. meal vouchers, the company's contribution to Pillar III pensions, access to mobile telephony, medical service subscriptions, holiday bonuses and the like) are excluded from this definition of remuneration.

In situations where the persons covered by these policies also hold shares issued by the Company, the payment of their rights arising from the shareholder status are not considered remuneration and are not subject to the rules regarding the remuneration of the identified personnel.

In the event that the Company will delegate activities related to portfolio management and / or risk management, in accordance with the legal provisions, SIF Banat-Crișana will ensure that the entities to which those activities have been delegated fall under the legal requirements regarding remuneration equivalent to those applicable to the company.

The contract under which activities related to portfolio management and / or risk management will be delegated will necessarily include clauses by which the company will ensure that the legal norms regarding remuneration are not avoided, as well as that the payments made to the identified personnel of the delegate(s) as compensation for carrying out portfolio management activities or risks on behalf of the company, shall comply with the remuneration provisions applicable to the company.

### **10.2. RULES ON GRANTING THE REMUNERATIONS**

The remuneration policy of SIF Banat-Crișana personnel is approved by the company's board of directors, it is subject of the approval of Company's shareholders, and it is in line with the company's professional strategy, objectives, values and interests.

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<sup>1</sup> The paragraph "SIF Banat-Crișana promotes an effective and solid risk management, without the remuneration structure encouraging taking excessive risks, including in relation to the risks related to sustainability, being correlated with the risk-adjusted performance" supplements point 9 of the Remuneration Policy of SIF Banat-Crișana, approved by Resolution no. 4 by the OGM of January 6, 2021, for its correlation with the provisions of art. 5 of the EU Regulation no. 2088/2019 on sustainability-related disclosures in the financial services sector. The amendment was approved by Resolution no. 8 of the OGM of April 26, 2021

The remuneration policy of SIF Banat-Crișana personnel encourages the prevention of taking excessive risks in the management of company's investments.

The remuneration policy complies with the provisions of the labour legislation and those agreed by the collective labour contract applicable at company level.

SIF Banat-Crișana may propose and grant to company's personnel a remuneration that includes both a fixed component and a variable component (premiums or bonuses), based on performance or which may be based on the conventional criteria agreed by the collective labour agreement applicable at company level.

As a general rule, the company sets the total remuneration perk of the identified personnel in such a way that the fixed remuneration remains sufficiently high compared to the variable component, in order to remunerate the professional services provided, according to the training level, the level of expertise and the necessary skills. If the remuneration includes a variable component or a bonus, the remuneration perk shall be structured in such a way that there is an appropriate balance between the fixed and the variable components. The right balance may vary depending on the personnel members, depending on market conditions and the specific context in which the company operates. An absolute separation between the fixed and variable components is maintained permanently with no leakage between these two components.

The Company acknowledges that, in addition to fixed remuneration, a variable component of remuneration may be granted to all personnel members, including Identified Personnel, as an additional payment or benefit in respect of services provided by such identified personnel. The different salary components are combined to ensure an appropriate and balanced remuneration perk, reflecting the unity of the business, the rank of the employee in the company, his professional activity, as well as market practices.

**Fixed component:** The Board of Directors has the competence to establish the salary scale (for fixed remuneration) at SIF Banat-Crișana level, applicable at the level of individual employment contracts concluded by the company with its employees. The salary scale is built according to the following criteria:

- the level of responsibilities and competencies (level of decision - adoption and impact)
- the impact on the final results, in order to increase the efficiency of the company's activity
- the complexity of the tasks and situations that involve solving or coordinating the respective position
- intensity and variety of work
- the level of analytical judgment, initiative, or innovation / creativity the job involves
- the necessary level of specialization
- routine degree of activities

Establishing pay ranges (minimum and maximum) for each competence group in the pay scale shall ensure a fair pay system.

Each position within the organizational structure of the company has clearly established, through job descriptions and internal regulations, duties and responsibilities as well as a set of competencies and abilities necessary to hold that position.

The salary rights of the employees are established by the individual employment contracts as well as by the collective labour contract concluded at company level.

The level of basic fixed remuneration of employees can be revised based on the results of the analysis and assessment of performance and market conditions (e.g. inflation, the level of wages in the activity sector).

**Variable component:** The Management Board has the power to set the general criteria for granting the variable component. Employee remuneration, from the perspective of variable remuneration, is based on the annual evaluation of individual performance, related to the achievement of the assumed annual objectives (presented in Chapter 9).

Performance-based remuneration is granted in a way that promotes effective risk management and does not encourage excessive risk-taking. The payment of variable remuneration is not a guaranteed component of remuneration, as it is exceptional in nature and aims to reward performance.

The company will maintain a flexible policy on variable remuneration, which implies not only that the variable remuneration will decrease due to the negative performance of the identified personnel or of the company itself, but also that it can go to zero, in particular in the event of a negative assessment of the performance of such identified personnel. Performance-based remuneration is not guaranteed, and no employee will have a contractual right to such payment. The company adopts a discretionary approach to performance-based remuneration.

Performance-based remuneration depends on the decision of the Board of Directors to allocate funds for the payment of such remuneration, provided in the budget of revenues and expenses approved annually by the shareholders. The amounts allocated to the payment of remuneration based on performance may vary over time and depend on:

- the net profit of the company in absolute terms, as well as compared to the budget achieved during the respective fiscal year
- budgetary limits approved by the general meeting of shareholders
- the development costs of the company
- specific internal risks that may affect the company
- the special conditions of the relevant market for the company's activity.

The reduction or elimination of performance-based remuneration may be considered appropriate in the event of improper performance of duties and responsibilities by company personnel.

The performance measurement used in the calculation of the variable components of remuneration or the set of variable components of remuneration shall include a comprehensive adjustment mechanism that includes all relevant types of present or future risks.

There is an appropriate balance between the fixed and the variable component of total remuneration and the fixed component represents a sufficiently large percentage of total remuneration to allow for a flexible policy on the variable components of remuneration, including the possibility of not paying any variable remuneration component.

In order to diversify the ways of stimulating the personnel, the variable component of remuneration, for all categories of identified personnel, may take the following forms:

- cash as premiums (extras to the basic salary determined by performance assessment), bonuses (rewards for outstanding performance) or incentives (rewards granted based on the achievement of previously set targets, designed to encourage personnel to reach increasingly higher levels of performance)
- equity instruments - shares, options, including *stock-options plan* program types approved by the general meeting, which may comprise a certain period of time of at least one year between the time the right is granted and the time it is exercised (actual acquisition of instruments).

### **10.3. STRUCTURE OF REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS**

The remuneration of the administrators is decided by the general meeting of SIF Banat-Crișana shareholders, in accordance with the provisions of Law no. 31/1990 and of company's articles of association. The additional remuneration of the administrators (members of the board of directors) is set as general limits by decision of the general meeting of shareholders or is provided in the articles of association of the company. The total annual value of the additional remuneration paid to the administrators will not exceed the limits set by the decision of the general meeting of shareholders / by the articles of association. The members of the Board of Directors who hold executive position within the company will not participate in the adoption of decisions regarding their own remuneration.

The additional remunerations are fixed and based exclusively on factors such as time spent on performing the duties, participation in meetings of the board of directors, responsibilities assumed within the board of directors, participation in the activities of special committees established within the board of directors, and the like factors that do not depend on and do not take into account the results and performance of the company. Additional remuneration can be paid in cash or in instruments.

Remuneration for the purposes of this procedure is not considered to be expenses reimbursed by the company and incurred by the directors in the interest and for the purpose of exercising the mandate of administrator.

### **10.4. STRUCTURE OF REMUNERATION FOR DIRECTORS**

The remuneration of the directors is approved by the company's board of directors. The general limits of the remuneration of the directors to whom a part of its powers has been delegated by the Board of Directors, in accordance with the provisions of Law no. 31/1990, are approved by the general meeting of shareholders.

The Board of Directors will ensure the proportionality of the remuneration granted with the responsibilities specific for the management functions, so as to ensure an adequate and responsible remuneration, which will ensure the increase of the performances, in order to increase the company value, for the benefit of its shareholders.

At the same time, the level of remuneration must promote the long-term sustainability of the company, in line with the business strategy, objectives, values and long-term interests of the company and the approved risk-level. The level of remuneration in the sector of financial investments may also be taken into account when setting remuneration, in order to ensure competitiveness in the labour market and to be able to attract and retain highly qualified personnel.

Directors' remuneration may consist of a fixed component and a variable component.

The fixed component of remuneration is established considering sound economic principles, taking into account the nature and complexity of the activities carried out by those persons, as well as the competencies and responsibilities embraced by holding those management positions.

The variable component of remuneration is based on an assessment that combines the evaluation of individual performances with the general results of SIF Banat-Crișana. The assessment of individual performances is based on an annual analysis / examination of the fulfilment of the assumed performance objectives and of risk limits approved by the overall risk profile. The annual objectives are assumed based on the decisions of the board of directors and the general meetings of shareholders.

The variable component can be paid in cash and / or instruments. All directors' remuneration must fall within the general limits of remuneration and budget approved by the ordinary general meeting of SIF Banat-Crișana shareholders.

Remuneration for the purposes of this procedure is not considered to be expenses reimbursed by the company and incurred by the directors in the interest and for the purpose of exercising their positions within the company.

## **10.5. STRUCTURE OF REMUNERATION FOR CONTROL FUNCTIONS**

SIF Banat-Crișana considers the remuneration of the control functions within the company at a level that would allow the company to hire and / or maintain in these positions qualified persons with sufficient experience to exercise these functions. The remuneration of the personnel responsible for managing the control functions is directly supervised by the company's board of directors, through the supervisory function.

The remuneration of personnel performing control functions may have both a fixed and a variable component.

The variable remuneration granted to personnel performing control functions will be based on the fulfilment of objectives specific to the function of these persons (qualitative criteria - for example, quality, efficiency and timely delivery of control measures / reports) and not on overall performance criteria at company's overall level (quantitative criteria).

The variable component can be paid in cash and / or instruments.

The activity of persons exercising control functions (approving transactions, making recommendations on risk issues, financial control, compliance, etc.) is not directly correlated with increasing or decreasing the remuneration of control functions, based on performance. The personnel in the control functions will be remunerated depending on the achievement of the specific objectives related to their function, independent of the performance of the business area they control.

Based on the above rules, the company ensures that the remuneration structure of the personnel having control functions cannot affect the independence of these functions and cannot generate situations of conflicts of interest at their level.

The remuneration of personnel holding control functions will be supervised by the Nomination and Remuneration Committee of the Board of Directors.

## **10.6. STRUCTURE OF REMUNERATION FOR THE EMPLOYEES**

Remuneration of company's employees is established following negotiations between the company, as employer, and personnel, at the time of concluding the individual employment contracts and, possibly, during their execution, according to the salary scale approved by the board of directors. Also, certain salary rights are negotiated and agreed through the collective labour agreement concluded at company level.

The remuneration of the employed personnel is based on sound economic principles and is determined according to the skills, responsibilities and complexity of the activities carried out by the employed personnel.

The remuneration of the employed personnel can have both a fixed, and a variable component.

The fixed component of remuneration is represented by the salary agreed by the individual employment contract, at the fixing of which no performance criteria are taken into account.

The variable component of remuneration depends on performance and is set according to the evaluation of the employed personnel, evaluation in which the individual performances and, possibly, of the operational unit concerned (department, specific activity) and the overall results of the Company are combined, both financial and non-financial criteria are taken into account when assessing the individual performance. The evaluation of company's personnel is carried out in accordance with the internal evaluation procedure approved by the company's board of directors.

The variable component can be paid in cash and / or instruments.

## **11. ROLES AND RESPONSIBILITIES**

### **Board of Directors (the governing body in the supervisory function)**

In the remuneration process, the Board of Directors has the following roles and responsibilities:

- submits for the approval of shareholders' general meeting the Company's remuneration policy, as per law, and supervises its implementation
- approves any changes to the remuneration policy, submits them to the approval of Company's shareholders, examines and monitors their effects
- considers the contributions of the competent departments, such as risk management, human resources, etc.
- ensures that all remuneration commitments are properly and responsibly structured and that the remuneration policy allows and complies with the risk policy and promotes sound and effective efficient risk management without leading to risk-taking beyond the risk tolerance threshold of the Company, and correspond to the objectives, values and interests of the Company;
- establishes and monitors the remuneration of the members of the executive management;
- monitors external remuneration consultants whom may decide to hire for consultancy or assistance
- directly supervises the remuneration of persons in positions of risk management, internal control and internal audit.

### **Executive management (senior management)**

Regarding the remuneration process, the Executive Management has the following roles and responsibilities:

- reviews and proposes for the approval of the Board of Directors the remuneration policies of the employees
- monitors the efficient implementation of the principles and policies on the assessment of the performance and the remuneration of the employees
- granting bonuses to employees within the budgets established by the General Meeting of Shareholders, based on the annual evaluation of employees.

### **Human Resources Office**

Regarding the remuneration process, HR Office has the following roles and responsibilities:

- monitors the efficient implementation of the remuneration process
- provides advice and ensures fairness and objectivity in the evaluation process.

### **Compliance Office and Risk Management Office**



Regarding the remuneration process, the Compliance Office and the Risk Management Office have an active role in the process of preparing, monitoring and reviewing the remuneration policies and principles for the identified persons.

The Risk Management office also evaluates:

- the adequacy of the performance indicators that ensure the adjustment to the risks that the professional activity can generate.
- how the structure of variable remuneration affects the risk profile.

The Compliance Offices analyses the way in which the remuneration structure affects the Company's compliance with internal legislation, regulations and policies.

### **Internal Audit**

The internal auditor shall conduct yearly assessments concerning the compliance with this policy and its application procedures (if applicable), as well as an assessment of its compliance with applicable regulations and standards.

## **12. INTERNAL COMMUNICATION AND EXTERNAL DISCLOSURE**

The provisions of the remuneration policy, as well as any changes to them, will be brought to the attention of employees whose professional activities have a significant impact on the risk profile of the company, under the care of the HR Office, under the supervision of the compliance officer.

The company will provide, through the care of the persons indicated in the previous paragraph, to the entire staff of the company, general information about the basic characteristics of the remuneration policies and practices of SIF Banat-Crișana.

Without prejudice to confidentiality and data protection legislation, the company will present to interested parties, in a clear and easy to understand manner, the relevant information regarding the remuneration policy applicable at SIF Banat-Crișana level, as well as any updates made following the changes that occurred. The information may be presented in the form of an independent remuneration policy statement, regular disclosure in the annual financial statements or in any other form. The information presented may consist of:

- information on the decision-making process underlying the establishment of the remuneration policy, including, where appropriate, information on the composition and mandate of the remuneration committee and the role of important decision-makers
- information on the relation between pay and performance
- information on the criteria used to measure performance and risk adaptation
- information on the performance criteria on which the allocation of shares, options or variable components of remuneration depends
- the main parameters and main considerations underlying any annual premium scheme and any benefits other than those paid in cash.

## **13. CHANGE OF REMUNERATION POLICIES**

The application of remuneration policies is subject to the monitoring and supervision of company's management bodies, as well as the control functions (at least annually), which will take the necessary steps to remedy in a timely manner any deficiencies found in the implementation process of the remuneration policy.

The changes to the remuneration policies will consider the economic context, the company's activity, as well as its strategy and objectives and shall be approved by the company's board of directors.

The remuneration policy is subject to the vote of the ordinary general meeting of shareholders, on each significant change and, in any case, at least once every four years.

**Bogdan-Alexandru DRĂGOI**

Chairman of the Board of Directors

**This *Remuneration Policy* was approved by Resolution no. 4 by the Ordinary General Meeting (OGM) of SIF Banat-Crișana Shareholders of January 6, 2021, and the amendment to point 9 was approved by Resolution no. 8 of the OGM of April 26, 2021.**