

## REMUNERATION POLICY

### I. GENERAL PROVISIONS

- 1.1. This Remuneration Policy (hereinafter – the **Policy**) lays down the requirements followed by Limited Liability Public Company Šiaulių bankas (hereinafter – the **Bank**) and its subsidiaries (hereinafter – **Group Companies**) (hereinafter the Bank and the Group Companies collectively – the **Group**) in establishing and paying remuneration, bonuses and other payments awarded to employees for their performance, and other benefits, thus ensuring sound management of remuneration costs and creating motivation incentives for employees to contribute to the responsible implementation of the mission, vision, values, long-term objectives and strategy of the Bank and the Group.
- 1.2. The Policy seeks to promote responsible business, fair dealing with customers and avoiding conflicts of interest in relations with customers, so that the monetary/non-monetary rewards do not become an incentive for employees to pursue their own interests, the interests of the Bank or any other company of the Group to the detriment of customers' interest.
- 1.3. The Policy is in compliance with the operational and risk strategy of the Group as well as its objectives, including those in relation to the environmental, social and governance (hereinafter - **ESG**) risk, the values and culture of the organisation as well as the long-term interests of continuing operations aimed at increasing the long-term value of the Bank's shares of, avoiding conflicts of interest, promoting sound and efficient risk management as well as reliable and effective management of money laundering and terrorist financing risks, and lays down the processes and principles followed in paying remuneration. The Policy is an integral component of the risk management framework of the Bank.
- 1.4. The Policy is a gender-neutral remuneration policy, i.e., it is based on the principal of determination of equal pay for equal work or work of equal value for employees of either gender.
- 1.5. The Policy has been prepared in accordance with the Law on Companies of the Republic of Lithuania, resolution of the Board of the Bank of Lithuania on the approval of the Description of the Minimum Requirements for Remuneration Policy drawn up in accordance with *Guidelines on Sound Remuneration Policies* of 2 July 2021 (EBA/GL/2021/04) and other laws on the requirements for remuneration policy of the Bank as a financial institution and a public limited liability company whose shares are admitted to trading on a regulated market.
- 1.6. The Policy applies to the Bank and Group Companies. The Group Companies that are subject to special remuneration requirements under other laws shall draw up and approve their own remuneration policy that applies jointly with this Policy. The Policy is implemented in accordance with the procedure set out in the internal documents of the Bank and Group Companies (internal documents approved by the General Meeting of Shareholders, the Supervisory Council, the Remuneration Committee, the Management Board and the Chief Executive Officer). The frameworks for employee incentivising / motivation set out in the internal documents and applicable in the Group must conform to the principles of the Policy and the requirements of applicable laws.
- 1.7. The Policy applies to all employees of the Bank and Group Companies, as well as to members of the Supervisory Council (hereinafter – the **Council**) and the Management Board of the Bank who are not employees.
- 1.8. The Bank has formed a Remuneration Committee (hereinafter – the **Remuneration Committee**) that carries out competent and independent assessments of variable remuneration policy and practice, and ensures that the remuneration framework takes into account all types of risk, capital and liquidity, and is compatible with sound and effective risk management as well as with the

business strategy, objectives and the long-term interests of continuing operations of the Bank or the Group Company. The composition of the Remuneration Committee, the procedure for its formation, its functions, rights and responsibilities are set out in the Rules of Procedure of the Remuneration Committee, approved by the Council.

## II. REMUNERATION SYSTEM AND PRINCIPLES

- 2.1. The Remuneration System is a complex of remuneration package elements used by the Group to attract, motivate and retain the best employees who would help implement the long-term objectives and the business strategy of the Group.
- 2.2. The Remuneration System is formed on the basis of the following principles:
  - ✓ *Internal fairness* – assessment based on the responsibilities of the employee, his/her performance, his/her competences, knowledge, experience, skills, etc., equal pay for equal work or work of equal value;
  - ✓ *External competitiveness* – the remuneration is competitive with regard to the labour market of the country where the employees work, so as to make it possible to attract motivated employees and retain the necessary ones;
  - ✓ *Transparency* – each employee must have a clear understanding of the procedure for establishing his/her remuneration and of the performance results, competences and qualifications which determine its amount;
  - ✓ *Flexibility* – whenever it is necessary to hire or retain an employee whose work is important for the Group's operations, or to manage emerging risks related to employee rotation and change, the Group's decisions may derogate from this Policy, without prejudice to the fundamental principles of variable and fixed remuneration ratio.
- 2.3. Employees are subject to a uniform pay system, without discrimination on grounds of gender, age, nationality, race, social status, religion, etc. Remuneration is established with due regard to the knowledge, experience, qualifications, responsibilities, operational efficiency and quality of work, job position of the employee, the remuneration range applicable to the job position level, etc. The Bank monitors the pay-gaps in remuneration paid to different genders, and takes action to reduce the differences, as necessary.
- 2.4. In order to be able to attract and retain employees with the experience, competence, qualifications and motivation necessary for the management of the Group, while taking into account the financial capabilities of the Group, the remuneration of the employees of Group Companies is based on the national and/or specific sector median market remuneration.
- 2.5. Employment contracts are concluded for an indefinite period and, where appropriate, for a fixed period. Contracts with members of the Management Board of the Bank or the Council who are not employees (if any) are concluded for the duration of their term of office.
- 2.6. The Group does not have a pension policy and agreements for early retirement are not concluded. The Group does not generally enter into prior agreements on the amount of severance pay and non-compete compensation.
- 2.7. Amounts of payments related to employment termination/end of term of office and notice periods are determined based on the statutory amounts of such payments and/or the duration of such notice periods established in the laws and the procedure laid down in this Policy. The maximum possible amount of severance pay to a Nominated Employee shall be his/her average official remuneration for twelve (12) months, unless the Council issues a decision to award a higher payment on a case-by-case basis, without exceeding the ratio of variable and fixed remuneration as set out in clause 4.7 of the Policy. The amount of severance pay and the procedure for awarding it are set out in the internal documents of the Bank. The procedure for calculating average remuneration is established by the Management Board of the Bank, with reference to

- the applicable legal regulation; the calculations of average remuneration shall include only the amounts actually paid to the employee during the relevant period.
- 2.8. Where a member of the Council retires or is recalled from office, or where his/her term of office otherwise expires before the end of the established term of office, no payment or compensations are paid to the Council members on account of the end of the agreement for his/her service as a Council member. In such a case, the Council member is paid a portion of his/her remuneration in proportion of his/her time of service as the Council member or chair and/or a member/chair of a committee of the Bank for which remuneration has not yet been paid.
- 2.9. The Bank and the Group Companies, depending on their size, the nature, scale and complexity of their operations and the risks they take, are subject to fixed remuneration and variable remuneration (remuneration components):
- ✓ Fixed remuneration for employees consists of (i) official remuneration and (ii) additional benefits;
  - ✓ Fixed remuneration for Council members who are not employees consists of (i) official remuneration (ii) supplement to the official remuneration;
  - ✓ Variable remuneration is defined as (i) annual variable remuneration, (ii) supplements, (iii) one-time bonuses.
- 2.10. The Group does not offer guaranteed variable remuneration.
- 2.11. Employees are prohibited from personally ensuring themselves under insurance strategies or by taking out insurance cover against a decrease of their variable remuneration in order to mitigate the risk determined through the application of the principles for calculating their variable remuneration.
- 2.12. In order to attract and retain qualified managers, the Bank must make efforts to cover the management of the Bank and Group Companies with Directors and Officers (D&O) liability insurance. Group-wide decisions regarding the terms and conditions of the insurance are made and implemented by the Management Board of the Bank.
- 2.13. The Bank undertakes *ex – ante* to indemnify the members of the supervisory and management bodies of the Bank and Group Companies against litigation costs which arise from third party claims regarding the performance of their functions at the Bank or the Group, except where intent or gross negligence on the part of that person has been established by a competent state authority. Litigation expenses of employees and members of bodies shall be reimbursed by the decision of the Management Board of the Bank in accordance with the *ex - ante* and *ex - post* procedure for reimbursement of such expenses established by the Management Board of the Bank.

### III. FIXED REMUNERATION

- 3.1. Fixed remuneration shall be established, calculated and paid on the terms and conditions and in accordance with the procedure set out in this Policy and internal documents of the Bank.

#### **Official remuneration of employees**

- 3.2. The official remuneration of employees is determined in accordance with the principle of external competitiveness, the principle of internal fairness, the remuneration range applicable to the job position level, the professional experience, abilities, specific knowledge, skills and competences of the employee and the remuneration budget possibilities.
- 3.3. The official remuneration of the Bank's employees is determined by the Chief Executive Officer. Prior approval of the Council of the Bank must be obtained when determining the remuneration of the members of the Management Board of the Bank who hold other positions in the Bank under an employment contract, the Chief Executive Officer and his/her deputies. The remuneration of the CEOs of Group Companies is determined by the Management Board of the relevant Group Company (if any), with the approval of the Council of that company or the Bank acting as sole shareholder of the company (when the company does not have a management

Board). The salary of other employees of Group Companies is determined by the CEO of the relevant Group Company.

#### ***Additional benefits for employees***

- 3.4. Additional benefits are an initiative on the part of the Bank or other Group Companies to provide long-term benefits, payments and allowances to employees that may be made available to a significant portion of the employees of the Bank or Group Companies or employees performing specific functions. Additional benefits are determined in the internal documents of the Bank or Group Companies.
- 3.5. Additional benefits are designed to encourage employee engagement, loyalty, shape the exclusivity of the employer, increase its attractiveness, help reconcile work and leisure, work towards better results and offer a competitive overall remuneration package. The Group seeks to be socially responsible, have regard for the welfare, health and the quality of life of its employees and maintain effective motivational benefits in line with the practices applicable in the labour market.
- 3.6. Additional benefits apply regardless of the individual performance of the employees, without providing an incentive to take risks, and therefore they are not considered to be a remuneration for the work or functions performed. Additional benefits are based on predefined criteria, they reflect the professional experience of the employees and are irrevocable for the stated effective term of the benefits and/or until the employee holds a specific job position with assigned certain additional benefits in accordance with the internal documents of the Bank and the additional benefits, limits and/or rates set therein.

#### ***Fixed remuneration for Council members***

- 3.7. Council members are paid fixed remuneration consisting of an official remuneration and a supplement to the official remuneration.
- 3.8. The official remuneration of a Council member is an annual monetary remuneration of EUR 50,000 (before applicable taxes) paid to the Council member for the performance of his/her functions.
- 3.9. A supplement to the official remuneration of a Council member is an annual monetary supplement paid for performing additional functions while performing the duties of a Council member. The annual supplement to the official salary of a Council member for the position of the Chairperson of the Council shall be 200% of the annual official remuneration. The annual supplement to the remuneration of a Council member for the office of Committee chairperson shall be 25% of the annual official remuneration. The annual supplement to the official salary for a Council member for his/her duties as a Committee member shall be 15% of the annual official remuneration.
- 3.10. The annual amount of a supplement to the official remuneration is established by the General Meeting of Shareholders of the Bank for the whole term of office of a Council member; it is established at the time of approval of the Policy (amendments thereof).
- 3.11. The official remuneration and the supplement for Council members is established regardless of the gender, age, nationality and experience of the member and is paid proportionately for the previous month, quarter or any other period as determined by agreement between the Bank and the Council member.

#### **IV. VARIABLE REMUNERATION**

- 4.1. Variable remuneration is established, calculated and paid in accordance with the procedure set out in this Policy and internal documents of the Bank/Group Companies.
- 4.2. Methods for calculating variable remuneration are designed to meet the Group's business strategy, objectives, values, the long-term interests of continuing operations, and promote sound and effective risk management, help avoid conflicts of interest, ensure compliance with the Code of Ethics and discourage employees from taking excessive risks that are unacceptable to the

Group, also ensure the principles of investor and customer protection in the provision of services by the Group and not harming the interests of customers.

- 4.3. A variable remuneration fund is formed only after assessing the Bank's performance, taking into account current and future risks, costs of the capital employed and liquidity support needs. The variable remuneration fund and its size must not limit the ability of the Group to strengthen its capital base. Where the persons performing risk management and compliance control functions of the Bank are in doubt as to the effect on employees behaviour and operational risk exposure, they provide input within their respective competences during the setting-up of variable remuneration budgets, establishing performance criteria and awarding variable remuneration.
- 4.4. Variable remuneration is paid to link the individual performance targets of employees to the long-term interests of the Group in order to ensure sustainable business development and to encourage employees to act in and respectful, honest, transparent and professional manner, respecting the rights and interests of customers.
- 4.5. The amount of variable remuneration is based on the overall assessment of the achievement of pre-defined targets and the performance of the employee, the unit and the Group. The variable remuneration awarded to an employee may depend from the job position of the employee, the importance of his/her decisions that may have a significant effect on the risk taken by the Group. The assessment of an employee's individual annual performance targets and achievements includes not only his/her personal financial performance, but also his/her non-financial/non-quantitative input (e.g., compliance with the values of the Bank, relations with customers/colleagues, compliance with standards, implementation of the requirements set out in internal documents, initiative, leadership/engagement in project activity, performance improvement, etc.). The annual variable remuneration of Nominated Employees is awarded only after annual performance assessment based on the results of the performance assessment of the last year, as set out in clause 4.16 of the Policy.
- 4.6. The variable remuneration of employees engaged in risk management, compliance and internal audit functions is awarded for the works performed and the results related to the performance of their assigned functions; the performance of the units under their control is not taken into account.
- 4.7. Variable remuneration may be awarded to Nominated Employees, by maintaining adequate balance between the variable and the fixed remuneration components, and by preserving the ability to pursue a flexible policy related to the variable remuneration components, i.e., the variable remuneration awarded for one (1) calendar year must not be more than 100 per cent of the fixed remuneration component in the same one (1) calendar year for which the variable remuneration is awarded (i.e. the ratio of variable to fixed remuneration may not exceed 100%), in order to promote sound and effective risk management, except where the General Meeting of Shareholders of the Bank increases the maximum ratio between variable and fixed remuneration to 200 per cent in accordance with the requirements of the law. The actual ratio between variable and fixed remuneration in the Group is calculated by adding up all components of the variable remuneration awarded to the Nominated Employee over a certain period and dividing their sum by the amount of the components of fixed remuneration awarded during the same period.
- 4.8. For the purpose of calculating the ratio of variable to fixed remuneration for a Nominated Employee, the variable remuneration shall be deemed to be the amount of severance pay in excess of the Bank's obligations to the Nominated Employee in respect of the severance pay arising out of the employment contract or the requirements of the applicable legislation.
- 4.9. In case of expiry of an employment contract with a Nominated Employee, an agreement on the procedure for the payment of annual variable remuneration and/or outstanding portions thereof is made. Any portions of variable remuneration unpaid/not awarded as at the redundancy date of the Nominated Employee shall be paid/awarded taking into account the employee's performance during the period set by the Bank or Group Company, his/her period of service during that year, and in such way that the employee is not remunerated if his/her actions resulted in a loss to the Bank or the Group, except for statutory payments under the law. The

award/approval of annual variable remuneration takes place under the same procedure and at the same time as the award/approval of variable remuneration for other Nominated Employees.

### **Annual variable remuneration**

- 4.10. Annual variable remuneration is a component of variable remuneration consisting of an immediately payable portion and a deferred portion to promote sound and effective risk management.
- 4.11. Annual variable remuneration may only be awarded to Nominated Employees, except Council members. **Nominated Employees** – means the members of the Supervisory Council of the Bank, CEO and members of the Management Board of the Bank and the part of the Group companies, as well as other employees of the Bank whose professional activities have material impact on the risk profile of the Bank and the Group, due to which such employees are considered to be recipients of variable annual remuneration for the purpose of the applicable laws of the Republic of Lithuania and the European Union and internal documents of the Bank. The list of Nominated Employees is approved by the Management Board of the Bank. Group Companies, with due regard to the applicable special regulatory requirements, designate the nominated employees of a specific Group Company as well as the principles of variable remuneration applicable to such persons. Such nominated employees are not considered to be the Nominated Employees of the Group.
- 4.12. The annual variable remuneration, including the deferred portion thereof, may be awarded, paid and/or granted only provided the financial position of the Bank is sustainable, upon application of *ex-ante* and *post-ante* measures for adjusting variable annual remuneration by risk category (where applicable) and without prejudice to the requirements of other laws. The Bank's assessment of current and potential future risks, including the ESG risk, arising from, or directly related to, the payment of annual variable remuneration is based on the Bank's assessment of quantitative and qualitative criteria. Quantitative criteria are the Bank's capital and liquidity ratios, and qualitative criteria are the Bank's business continuity risk management indicators. Annual variable remuneration must be reduced or not paid at all upon motion of the Bank's management/supervisory bodies/Remuneration Committee, if the performance of the Group fails to meet the indicators set out in the strategy, or where losses are recorded, where the Nominated Employee has acted in bad faith or where his/her actions resulted in a loss to the Bank or the Group.
- 4.13. The amount of the annual variable remuneration for Nominated Employees shall be determined taking into account the results of the assessment of the Group's objectives, the results of the assessment of the achievement of the Group's corporate/departmental/personal objectives by the Nominated Employee and the weight assigned to these objectives, the annual variable remuneration coefficients approved by the Bank's Management Board, and possible adjustments to the calculated coefficient, which may also be influenced by the employee's non-financial/non-quantitative contribution. Annual variable remuneration is linked to the risk taken by the unit/employee and the performance of the Group/Group Company and the unit/employee. The criteria for calculating annual variable remuneration and target ratios are affected by the job position and responsibility, the effect on operating performance as well as the existing and future risks. In calculating the annual variable remuneration of members of the Bank's bodies, Heads of Divisions (other than Head of the Internal Audit Division and other Heads of control functions), significant business units, the Group's performance has a greater weight in the calculation of the annual variable remuneration than the performance of the unit/employee; in calculating the annual variable remuneration of control functions and other Nominated Employees, the performance of such employees shall have a greater weight in calculating the annual variable remuneration than the performance of the Group; in calculating the annual variable remuneration of Nominated Employees of the Group Companies, the performance of the Group Company has a greater weight in the calculation of the annual variable remuneration than the performance of the Group. The relative weighting of the performance criteria of each level (group of posts) is established by the Management Board of the Bank that sets the exact proportions/weightings of the targets.

- 4.14. The annual variable remuneration is divided into two equal parts:
- ✓ the immediately payable portion amounting to 50 per cent of the total annual variable remuneration awarded, which is paid in cash;
  - ✓ the deferred portion amounting to 50 per cent of the total annual variable remuneration award is allocated in the Bank's shares. Taking into account the potential risks related to the results of the annual assessment of the Nominated Employee, as defined in the internal documents of the Bank, the award of this portion of the remuneration is deferred:
    - (i) in the case of the members of the Management Board of the Bank, the Chief Executive Officer and the senior management of the Bank – for a period of five (5) years from the date of award of the annual variable remuneration until the grant of the deferred portion,
    - (ii) in the case of other Nominated Employees – for a period of four (4) years from the date of award of the annual variable remuneration until the grant of the deferred portion.
- 4.15. The Management Board of the Bank awards annual variable remuneration to Nominated Employees, except members of the Management Board of the Bank whose annual variable remuneration is awarded by the Council.
- 4.16. Upon an award of a deferred portion of annual variable remuneration, the relevant body of the Bank (the Management Board or the Council) must approve the shares of the Bank awarded for each year; the approval shall follow the following principles:
- ✓ The deferred portion awarded for the relevant year to Management Board members, the Chief Executive Officer and senior management must be approved in five stages, i.e. (a) 1/5 of the shares granted must be approved after 1 year; (b) additional 1/5 of the shares granted must be approved after 2 years; (c) additional 1/5 of the shares granted must be approved after 3 years; (d) additional 1/5 of the shares granted must be approved after 4 years; (e) remaining 1/5 of the shares granted must be approved after 2 years;
  - ✓ The deferred portion for the relevant year awarded to other Nominated Employees must be approved in four stages, i.e. (a) 1/4 of the shares granted must be approved after 1 year; (b) additional 1/4 of the shares granted must be approved after 2 years; (c) additional 1/4 of the shares granted must be approved after 3 years; (d) remaining 1/4 of the shares granted must be approved after 4 years;
  - ✓ At the time of approval, the deferred part awarded may be adjusted by reducing it (with the right to reduce it to zero);
  - ✓ The results of the performance assessment of a Nominated Employee over the last three years as a minimum must be taken into account when approving the deferred portion. Where the duration of the employment relationship or the contract with a Nominated Employee is less than 3 years, account shall be taken of the available performance assessment data of the employee.
- 4.17. The deferred portion of remuneration is released to the Nominated Employee (the approved shares of the Bank are transferred to his/her ownership) after the expiry of the deferment period. The deferred portion may be released to the Nominated Employee under an option agreement (option contract) between the Bank and the employee whereby the Bank grants the Nominated Employee the right to acquire the Bank's shares free of charge upon the expiry of the deferment period, or other method established by the Management Board of the Bank may be used.
- 4.18. The Bank's shares as a portion of the annual variable remuneration payable to Nominated Employees are awarded in accordance with the *Rules for Granting Shares* approved by the General Meeting of Shareholders of the Bank; they are awarded to ensure the interest of the Group in increasing employee engagement, promoting long-term employment with the Group and pursuing its long-term strategic objectives.
- 4.19. Where the option is available under the law, by decision of the body awarding the annual variable remuneration, the Nominated Employees whose annual variable remuneration for a certain year of service does not exceed EUR 50,000 (gross) and does not amount to more than one third

(1/3) of the annual remuneration of the Nominated Employee, may be exempted from the deferment of the annual variable remuneration and its payment in the Bank's shares.

### **Supplements**

- 4.20. Supplements shall mean variable remuneration that may be awarded to Group employees, except Nominated Employees. Supplements are awarded and paid in cash, with regard to the performance of the Bank, the Group, the individual units of the Bank and their employees for the previous quarter or other past period. Supplements can be quarterly and/or annual.
- 4.21. The amounts of supplements for the Group are approved by the Management Board of the Bank.

### **One-time bonuses**

- 4.22. One-time bonuses shall mean the portion of the variable remuneration awarded at the Bank's initiative that can be awarded to reward an employee for his/her good work, individual or group performance or results, exceptional commitment to values, etc. One-time bonuses are awarded and paid in cash based on the value added generated, scope of work, project relevance to the Group, project execution timeline, personal time allocated for preparation/participation, under employee reward schemes, etc.
- 4.23. Decisions on the award of one-time bonuses and their amount for the employees of the Bank are made by the Chief Executive Officer; for the employees of the Bank acting as a member of the Management Board of the Bank - the Chief Executive Officer with the prior approval of the Council, for the Chief Executive Officer - the Management Board of the Bank with the prior approval of the Council, for the employees of Group Companies - by the person or body determining the employees' remuneration.

## **V. FINAL PROVISIONS**

- 5.1. The Policy (any changes thereto) shall be drawn up by the Chief Executive Officer who shall submit it for discussion to the Management Board and the Remuneration Committee of the Bank. The Policy, along with the feedback from the Management Board of the Bank, the Remuneration Committee of the Bank, the Chief Compliance Officer (CCO) of the Bank, shall be submitted for approval to the Council; upon approval by the Council, it shall be submitted for approval to the next General Meeting of Shareholders. When presenting the Policy for approval, it shall be submitted to the General Meeting of Shareholders of the Bank along with all remuneration reports for the period since the approval of the most recent version of the Policy. The Policy shall be reviewed where there are essential changes in the remuneration policy of the Bank, or at least once every four years.
- 5.2. The Policy shall be published in the Bank's website.
- 5.3. The responsibility for the setting of the principles of the Policy and remuneration framework models, the maintenance of the Policy, the supervision of the implementation of the Policy and the periodic review of the Policy at least once per year shall be with the Council; the Management Board of the Bank shall be responsible for the implementation of the Policy. The Internal Audit Division of the Bank shall audit the implementation of the Policy; the audits shall be conducted on a regular basis but at least once per year.
- 5.4. The Bank shall publish information on the implementation of the Policy exclusively in compliance with imperative legal requirements and without prejudice to confidentiality provisions and requirements for the legal protection of personal data.
- 5.5. This version of the Policy, approved by the General Meeting of Shareholders of the Bank on 30 March 2022, shall enter into force from the date of its approval and apply when awarding remuneration to Nominated Employees for 2022 and/or subsequent years. The version of the Policy approved by the General Meeting of Shareholders of the Bank on 31 March 2020 shall apply when awarding, approving and paying remuneration to Nominated Employees for their work/activity up to 2022.

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