

**APPROVED:**

by Supervisory Board of JSC “ProCredit Bank”  
(minutes of absentee vote dated 28.12.2021,  
unnumbered)

**REGULATION ON THE MANAGEMENT BOARD MEMBERS  
AND THE KEY FUNCTION HOLDERS REMUNERATION  
PROCREDIT BANK JSC**

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## 1. The purpose of the regulation

- 1.1. In its activities, ProCredit Bank (Bank) strives to adhere to the internal rules and principles established for all banks of the international ProCredit group managed by the parent company ProCredit Holding AG and Co. KGaA, mandatory regulatory requirements, and international best practices and standards.

The remuneration policy is one of the special components of the personnel strategy of the Bank, according to which monetary remuneration is not the main incentive for employees. The Bank does not apply the performance-based variable part of remuneration (bonuses, etc.). This approach is based on the fact that variable remuneration creates wrong incentives for decisions, which, on the one hand, can temporarily improve the short-term results of the Bank, but, on the other hand, cause undesirable risks in the long term. The Bank does not have any special approach to remuneration of members of the Management Board, the Key Function Holders<sup>1</sup> and applies to them the same principles as to remuneration of other employees of the Bank. Employment agreements (contracts) of the Bank with members of the Management Board do not provide for any elements of variable part of remuneration. Remuneration of all members of the Management Board, the Key Function Holders shall be justified in accordance with the level of their competence, responsibilities and experience. Remuneration of members of the Management Board, the Key Function Holders is set in a reasonable proportion to salaries of other employees of the Bank.

Remuneration in the Bank is established in compliance with the principle of gender neutrality and equal pay for male and female employees for equal work or work of equal value.

- 1.2. This Regulation on the Management Board Members, the Key Function Holders Remuneration (hereinafter “the Regulation”) is designed to establish a transparent system of remuneration of the Management Board members, the Key Function Holders for their activities and performance of official duties. The Regulations has been implemented in accordance with the Laws of Ukraine “On Banks and Banking”, “On Joint-Stock Companies”, Regulation on Remuneration of Members of Bank approved by resolution of the Board of the National Bank of Ukraine No. 153 of 30 November 2020 (hereinafter “the Regulation № 153”), the Bank’s Articles of Association, Regulation on the Management Board of ProCredit Bank JSC approved and reviewed by the Supervisory Board of the Bank.
- 1.3. The Regulation is an internal document of the Bank, which defines the basic principles of the introduced remuneration system for members of the Management Board, the Key Function Holders the form of remuneration, criteria and procedure for calculating remuneration due, payment, approval and publication of the remuneration report.
- 1.4. The Regulation is binding and applies to all members of the Management Board, the Key Function Holders of ProCredit Bank JSC.

## 2. Procedure for establishing and paying remuneration to members of the Bank's Management Board, the Key Function Holders

- 2.1. The Bank’s remuneration system is aimed at ensuring effective corporate governance and risk management, taking into account the Bank’s strategic objectives, and promoting the compliance with corporate values.
- 2.2. For the performance of their official duties, the members of the Management Board, the Key Function Holders shall receive remuneration in the form of a financial payment in cash paid in accordance with the terms and conditions established for the payment of salary, and for the members of the Management Board - subject to the conditions stipulated in the employment contract concluded between the member of the Management Board and the Bank.

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<sup>1</sup> The term "Key Function Holders" is used in the meaning defined by the NBU Regulation № 153 of 30.11.2020.

- 2.3. The terms and conditions of employment contracts concluded with the members of the Management Board are determined by the Supervisory Board of the Bank.
- 2.4. Employment contracts for the exercise of the powers of a member of the Management Board also establish the rights, obligations, responsibilities of the parties, terms and conditions of remuneration, grounds for early termination and consequences of termination of such contracts, etc.
- 2.5. The employment contract with the Chairman of the Management Board on behalf of the Bank shall be signed by the Chairman of the Supervisory Board of the Bank or another authorized person by the decision of the Supervisory Board. Employment contracts with members of the Management Board are signed by the Chairman of the Management Board.
- 2.6. The term of employment contracts with members of the Management Board is set from the moment of their conclusion and is unlimited. Upon termination of the powers of a member of the Management Board, the contract concluded with the member shall be terminated at the same time.
- 2.7. The remuneration system of the members of the Management Board, the Key Function Holders of the Bank provides for the payment of only a fixed remuneration and the amount of reimbursement of expenses incurred in connection with the performance of official duties, as well as the incentive program.
- 2.8. Fixed remuneration shall mean a predetermined amount of remuneration, which is paid to members of the Management Board, the Key Function Holders for the performance of their official duties, is permanent, corresponds to the position of the executive, the key function holders in the organizational structure of the Bank, does not depend on the result of the Bank's activities and is a fixed base salary in an amount provided for in the staffing list of the Bank for the relevant position.
- 2.9. Reimbursement of expenses incurred in connection with the performance of functions assigned to the members of the Management Board, the Key Function Holders shall be carried out in the manner and within the time limits established by the current legislation of Ukraine and internal documents of the Bank.
- 2.10. The incentive program provides for the implementation of non-monetary incentives, such as:
  - full or partial payment by the Bank of the cost of voluntary medical insurance of the members of the Management Board, the Key Function Holder and/or partial payment by the Bank of the cost of voluntary medical insurance of family members of the respective member of the Management Board, the Key Function Holder,
  - use of a company car during working and non-working hours,
  - insurance of liability for members of the Management Board of the Bank – D&O insurance,
  - possibility to acquire a stake in the capital of ProCredit Staff Invest.
- 2.11. By the decision of the Supervisory Board of the Bank, additional means of non-monetary incentives for the members of the Management Board and the Key Function Holders may be introduced.
- 2.12. Remuneration of members of the Management Board, the Key Function Holders shall be reasonably justified, correspond to the level of professional experience, determined functional responsibilities of the person and the level of his/her responsibility and not encourage accepting risks that are not acceptable in normal conditions.
- 2.13. Fixed remuneration is paid on a permanent basis throughout the period of performance of his/her functions by a member of the Management Board, the Key Function Holder.
- 2.14. Establishment and payment of a variable component of the remuneration, additional pension provision, remuneration in case of early retirement, etc. are not provided by the remuneration system for the Management Board members, the Key Function Holders in the Bank. The Supervisory Board has the right to decide on the payment of additional remuneration to a member of the Management Board for performing of work outside their usual functions, to establish variable remuneration in the Bank and to approve the procedure for its payment (partially, with a deferral, reduction or cancellation of payment, taking into account the results of activities, the financial condition of the Bank etc.), as well as further decide on the establishment of dismissal payments.

- 2.15. The amount and procedure for calculation of remuneration shall be determined by the Supervisory Board, subject to the relevant scope of responsibilities, performance, economic situation in general and institutional situation in particular. When determining the amount of remuneration for members of the Management Board, the Key Function Holders the Bank shall be based on the assessment of the fairness of such remuneration as compensation for the functions performed, conformity in terms of their role in the Bank, the basic principles of remuneration applied in ProCredit Group, and assessment of the proportionality of remuneration of managers, the key function holders and employees.

The Supervisory Board sets the remuneration for the members of the Management Board, the Head of the Internal Audit Department, the Chief Risk Manager, the Chief Compliance Manager. The remuneration for members of the Management Board is included in the terms of the employment contract with each member of the Management Board. The amount of remuneration of the Head of the Internal Audit Department, the Chief Risk Manager, the Chief Compliance Manager is approved at the Supervisory Board meeting and recorded in the minutes of such meeting.

The Management Board sets the remuneration for the rest of the Key Function Holders and the Bank's employees, unless otherwise provided by the legislation of Ukraine. The amount of remuneration is approved at the Management Board meeting and recorded in the minutes of such meeting.

By a resolution of the Supervisory Board, additional remuneration may be allocated/introduced for a manager, for the Management Board as a whole, for any of the Key Function Holders in some cases of extraordinary performance of members of the Management Board, the Key Function Holders or other instances of extraordinary efficiency in the performance of their official duties. Such decision shall take into account assessment results over several years and be based on the overall performance of the manager, the key function holder and his/her contribution to the development of the Bank.

By a resolution of the Management Board, additional remuneration may be allocated/introduced for any of the Key Function Holders (except for the Head of the Internal Audit Department, the Chief Risk Manager, the Chief Compliance Manager) in some cases of extraordinary performance of the Key Function Holders or other instances of extraordinary efficiency in the performance of their official duties. Such decision shall take into account assessment results over several years and be based on the overall performance of the key function holder and his/her contribution to the development of the Bank.

- 2.16. Remuneration to members of the Management Board, the Key Function Holders shall be paid by the Bank on a monthly basis according to the rules of accrual and payment of salaries in the Bank. In the event of a change in the procedure for payment of remuneration to an acting member of the Management Board, the Bank shall enter with such a member into a new or additional contract concluded between the Bank and a member of the Management Board earlier.
- 2.17. The Bank shall calculate the amount of remuneration in such a manner that the amount to be paid after tax in accordance with the requirements of the applicable law correspond to the fixed amount specified in the staffing list and employment contract (applicable for the members of the Management Board only).
- 2.18. Remuneration of members of the Management Board, the Key Function Holders is accrued and paid in cash to their current accounts opened with the Bank by transferring funds in the amount specified in article 2.17.
- 2.19. No regular independent external assessment of the remuneration of members of the Management Board, the Key Function Holders is required, however, such assessment may be carried out based on a resolution of the Supervisory Board or the General Meeting of Shareholders.

### **3. Report on the Bank Management Board Members Remuneration**

- 3.1. The Management Board of the Bank prepares a report on the remuneration of the members of the Management Board in accordance with the requirements established by the current legislation of Ukraine, the Bank's Articles of Association and this Regulation.

- 3.2. The report of the Management Board is submitted for consideration and approval to the Supervisory Board of the Bank.
- 3.3. The remuneration report must contain information on:
- 1) the amounts of remuneration that were and/or should be paid to the members of the Management Board based on the results of the reporting financial year;
  - 2) terms of actual payment of remuneration, their compliance with this Regulation;
  - 3) a full description of the structure of all components of remuneration that were paid to members of the Management Board;
  - 4) participants in the introduction of the remuneration system;
  - 5) incentive program;
  - 6) deviations of the amounts of actual payments from the amounts payable hereunder, as well as an explanation of the reasons for such deviation and specific elements of the Regulation in respect of which the deviation occurred, if such deviations occurred during the reporting year;
  - 7) violations of the terms of the Regulation identified by the Bank (if any) and measures or decisions applied as a result of such violations;
  - 8) the actual presence of a member of the Management Board at the meetings of the Management Board and its committees, the member of which such a member of the Management Board is, or the reasons for their absence;
  - 9) confirmed facts of unacceptable behaviour of a member of the Management Board of the Bank (including those reported in confidence);
  - 10) the total amount of funds paid by the Bank in the reporting financial year;
  - 11) the amount of funds paid by the Bank as additional remuneration for performance of work outside the usual functions;
  - 12) estimated value of remuneration provided in non-monetary form, in case of their implementation by the Bank.
- 3.4. The report on the remuneration must contain information on the provision of loans, credits or guarantees by the Bank during the reporting financial year to the members of the Management Board (indicating the amounts and interest rates).
- 3.5. The Bank publishes the report on the remuneration paid to the members of the Management Board during the reporting financial year on its website on the Internet within 15 working days from the date of its approval by the Supervisory Board, with the possibility of its review.

#### **4. Report on the Key Function Holders Remuneration**

- 4.1. The Management Board of the Bank prepares a report on the remuneration of the Key Function Holders in accordance with the requirements established by the current legislation of Ukraine, the Bank's Articles of Association and this Regulation.
- 4.2. The report of the Management Board is submitted for consideration and approval to the Supervisory Board of the Bank.
- 4.3. The remuneration report must contain information on:
- 1) the amounts of remuneration that were and/or should be paid to the members of the Key Function Holders based on the results of the reporting financial year;

- 2) terms of actual payment of remuneration, their compliance with this Regulation;
  - 3) a full description of the structure of all components of remuneration that were paid to the Key Function Holders;
  - 4) participants in the introduction of the remuneration system;
  - 5) incentive program;
  - 6) deviations of the amounts of actual payments from the amounts payable hereunder, as well as an explanation of the reasons for such deviation and specific elements of the Regulation in respect of which the deviation occurred, if such deviations occurred during the reporting year;
  - 7) violations of the terms of the Regulation identified by the Bank (if any) and measures or decisions applied as a result of such violations;
  - 8) confirmed facts of unacceptable behaviour of a member of the Management Board of the Bank (including those reported in confidence);
  - 9) the total amount of funds paid by the Bank in the reporting financial year;
  - 10) the amount of funds paid by the Bank as additional remuneration for performance of work outside the usual functions;
  - 11) estimated value of remuneration provided in non-monetary form, in case of their implementation by the Bank.
- 4.4. The report on the remuneration must contain information on the provision of loans, credits or guarantees by the Bank during the reporting financial year to the Key Function Holders (indicating the amounts and interest rates).
- 4.5. The Bank publishes the report on the remuneration paid to the Key Function Holders during the reporting financial year on its website on the Internet within 15 working days from the date of its approval by the Supervisory Board, with the possibility of its review.

## **5. Procedure for Regulation Review and Promulgation**

- 5.1. This Regulation shall be approved by the Supervisory Board of the Bank and revised by it to update it as necessary, but at least once a year.
- 5.2. In case of changes hereto, the draft of such changes shall be preliminarily considered and agreed upon by the following structural subdivisions of the Bank: the compliance unit, the risk management unit, the personnel unit, the reporting and financial controlling unit, the accounting unit, and the legal unit.
- 5.3. The Supervisory Board of the Bank approves changes to the Regulation on the Management Board Members and the Key Function Holders Remuneration.
- 5.4. The Bank places the Regulation on its own website on the Internet within 15 working days from the date of its approval/amendments thereto, with the possibility of its review.