



**Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.**

# **Remuneration Policy**

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**Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.**



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## **Chapter 1. General Rules**

### **Article 1. (Purpose)**

This Remuneration Policy:

- (a) stipulates the matters to be considered by the Board of Directors and the General Management prior to paying or deciding to pay out a remuneration to Identified Staff and/or Staff,
- (b) has been established in compliance with relevant legal rules and regulations (as set out in Article 28 below),
- (c) is based on a self-assessment by the Bank of its own risk profile, risk appetite and strategy,
- (d) is aligned with the Bank's business strategy, objectives, values and long term interests,
- (e) is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Bank,
- (f) complies with the applicable principles in relation to the size, nature, scope and complexity of the Bank's activities,
- (g) establishes a clear distinction between criteria for setting basic fixed remuneration and variable remuneration,
- (h) has been approved by the Board of Directors, and
- (i) is subject to annual review:
  - (i) by the Board of Directors,
  - (ii) internally, through an independent review by the Bank's internal auditor(s) in cooperation with the holders of other control functions (*i.e.*, risk management, compliance function), and
  - (iii) externally, by the Bank's external auditors,
- (j) incorporates the Code of Conduct, Conflict of Interest Policy, and Employee Handbook of the Bank.

### **Article 2. (Scope)**

This Remuneration Policy applies to all Identified Staff and all other Staff of the Bank.

### **Article 3. (Person(s) in Charge for the Remuneration Policy)**



- 3.1. The Board of Directors is responsible for approving the Remuneration Policy, supervising its implementation and reviewing it at least once per year.
- 3.2. The General Management is responsible for implementing the Remuneration Policy.
- 3.3. The Human Resources Department, on behalf of the Board of Directors (the Remuneration Committee if any), with the assistance of the Risk Management Department, the Compliance Department and the Legal Department, is responsible for preparing the Remuneration Policy and related procedures and for suggesting updates thereto (in compliance with applicable legal and regulatory rules).

#### **Article 4. (Person(s) in charge for Remuneration)**

- 4.1. The Board of Directors is ultimately in charge of deciding the remuneration of the Directors, of the General Management and of the Staff.
- 4.2. The remuneration of the senior officers in the risk management, compliance functions and internal audit is directly overseen by the Remuneration Committee or, if such a committee has not been established, by the Board of Directors.
- 4.3. The Board of Directors has delegated the duty of determining the remuneration of both the other Identified Staff and the Staff to the General Management.
- 4.4. The General Management will report to the Board of Directors and to the Remuneration Committee (if any) once a year on the general evolution of the remuneration structure of the Bank.

#### **Article 5. (The Remuneration Committee)**

5.1. The Board of Directors:

- (a) must establish a Remuneration Committee if and to the extent that the proportionality principle is not applicable, and
- (b) may establish a Remuneration Committee, even if the proportionality principle applies, if and when it thinks fit.

Such Remuneration Committee needs to comply with the conditions set out in paragraphs 5.2 to 5.5 hereafter. Further details concerning the existence of a Remuneration Committee and, if it exists, its composition, are set out in Annex 8 hereto.

5.2. Members

The Remuneration Committee shall be constituted in such a way as to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing the Bank's risk, capital and liquidity.

The chair and the members of the Remuneration Committee shall be members of the Board of Directors who:



- (a) are not part of the General Management,
- (b) do not perform any executive function, and
- (c) are not members of Staff.

If and to the extent that employee representation on the Board of Directors is required under applicable law, the Remuneration Committee shall include one or more employee representatives.

### 5.3. Competence and Decision-making

The Remuneration Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Bank and which are to be taken by the Board of Directors.

When preparing its decisions, the Remuneration Committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the Bank as well as the public interest.

### 5.4. Meetings

The Remuneration Committee will meet at least twice a year at the invitation of the secretary of the Committee and each time a member of the Committee deems it necessary.

The functions of the Remuneration Committee include, without being limitative:

- assisting the Board of Directors in the formulation of the Remuneration Policy and making suggestions to that effect;
- assisting the General Management in the implementation of the Remuneration policy;
- assisting the General Management in the issuance of the remuneration procedures and making suggestions to that effect;
- directly overseeing the remuneration of the officers in the risk management, compliance functions and internal audit;
- reviewing on an annual basis the Remuneration Policy and procedures and making suggestions in respect of additions to, revisions of, amendments to or abolishment of said policy and procedures;
- reviewing the report of the General Management in respect of the general evolution of the remuneration structure of the Bank;
- making suggestions to the Board of Directors and/or the General Management in respect of remuneration allocation;
- deciding which details in respect of the remuneration structure of the Bank are to be disclosed in the annual report of the Bank; and
- issuing on an annual basis a report to the Board of Directors.

At least half of the members of the Remuneration Committee need to be present for the meeting to take place.



It is not intended, unless the Board of Directors decides otherwise on a case by case basis, to make the minutes of the meetings of the Remuneration Committee public.

#### 5.5. Secretary

The Head of the Human Resources Department is the secretary of the Remuneration Committee. The secretary is in charge of:

- calling the meetings;
- making sure the necessary number of attendants has been reached;
- issuing and circulating the minutes of the meetings among the members;
- keeping the duly acknowledged minutes of the meetings; and
- preparing and making available on an annual basis the reports of the Remuneration Committee to the Board of Directors.

### **Article 6. (Publication)**

#### 6.1. Internal Publication

The Human Resources Department will publish the Remuneration Policy to the Staff of the bank on the intranet of the Bank and is in charge of publishing (at least once a year) any revisions and amendments thereto. Also, the Human Resources Department will each time inform by email all the Staff members of the original publication and any revisions and amendments.

#### 6.2. External Publication

The Human Resources Department will publish relevant excerpts from this Remuneration Policy and statistic (as detailed hereafter) in the annual report of the Bank.

#### 6.3. The relevant excerpts of the Remuneration Policy to be disclosed include:

- information concerning the decision-making process used for determining the Remuneration Policy as well as information about the composition and the mandate of the Remuneration Committee (if any), the external advisers (if any) whose services were used to establish the Remuneration Policy, and the role of the relevant stakeholders;
- information about the link between remuneration and performance;
- the salient features of the remuneration system, including information about the criteria used for performance measurement and risk adjustment (if any), deferral policy (if any) and vesting criteria (if any);
- information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based (if any);
- the main parameters and rationale for any variable component scheme and any other non-cash benefits (if any);
- aggregate quantitative information on remuneration, broken down by business area;



- aggregate quantitative information on remuneration, broken down by senior management and members of Staff whose actions have a material impact on the risk profile of the institution, indicating the following:
  - (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;
  - (ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;
  - (iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions;
  - (iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;
  - (v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments; and
  - (vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person; and
- the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million.

#### **Article 7. (Entry into force)**

This Remuneration Policy entered into force on 18 June 2010. Any subsequent amendment of the Remuneration Policy will enter into force on the day of its approval by the Board of Directors of the Bank in accordance with the provisions of Article 8 hereafter.

#### **Article 8. (Additions, Amendments and Abolishment)**

8.1. Additions, revisions, amendments and abolishment of this Remuneration Policy are to be approved by the Board of Directors, upon suggestion of the Remuneration Committee (if any), the General Management or upon their own initiative.

8.2. The Remuneration Committee (or if such does not exist, the General Management), may decide minor revisions, such as changes of sentences, expressions, and name of department based on the Deliberation and Reporting Items with Investor Services Business Division of MUTB, subject such changes are approved at the next Board of Directors meeting.

8.3. The General Management, with the assistance of the Remuneration Committee (if any), is responsible for issuing the procedures (if necessary) requested in this Remuneration Policy. Such procedures have to be approved by the Board of Directors prior to entry into force.

8.4. The Board of Directors, the Remuneration Committee (if any) and the General Management is authorized, but not under a duty of, requesting the external auditor's opinion or *nihil obstat* to any matter in relation with this Remuneration Policy and



related procedures.

8.5. Track of any revision or amendment to the policy and related procedures, as well as the minutes of the meetings of the Remuneration Committee (if any) will be kept by Human Resources Department.

#### **Article 9. (Staff delegation)**

9.1. In accordance with article 414.-4 (1) of the Labor Code, introduced by the law of 9 May 2008, this policy and any changes and amendments thereof have to be delivered to the Staff delegation for information, prior to entering into force.

9.2. The Human Resources Department is in charge of transmitting such information.

#### **Article 10. (Independent internal review)**

10.1. The implementation of the Remuneration Policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the Board of Directors.

10.2. This review is conducted by the Bank's internal auditor(s) in cooperation with the holders of the risk management and compliance control functions.

10.3. The result of this internal review is reported to the General Management, to the Board of Directors and to the Remuneration Committee (if any) on an annual basis. Copies of such reports have to be kept.

## **Chapter 2. Categories of Staff**

#### **Article 11. (Staff Categorization)**

11.1. For the purposes of this Remuneration Policy, a distinction is made between the following categories of persons

(a) Identified Staff:

Identified Staff are persons whose professional activities have by definition or by reason of the activity exercised a material impact on the Bank's risk profile.

The persons (set out in Annex 4.) are categorized as "Identified Staff" by using the criteria defined in applicable law and regulations (as set out in Annex 3.)

No other person exercising a significant influence on the risk taken by the Bank has been identified.

(b) All other Staff:

Anyone not belonging to one of the categories mentioned under Annex 3.



- 11.2. The Board of Directors, the Remuneration Committee (if any) and the General Management will review the criteria of Identified Staff and execute the process of identifying Staff whose professional activities have a material impact on the Bank's risk profile at least once a year or anytime when the Bank has the change of its organization.

### **Chapter 3. Proportionality and Neutralization**

#### **Article 12. (Principle of proportionality)**

- 12.1. The Bank has established and applies its Remuneration Policy in a manner and to the extent that is appropriate to its size, internal organization and the nature, scope and complexity of its activities. The Bank's activities in Luxembourg consist mainly in the global custody of securities and fund administration, whereas the ones in Dublin consist in the provision of depositary services, all other activities being ancillary to this core business. Given the small size of the Bank, the strict and consequent implementation of the four eyes principle in its internal organization schemes and the type of business it exercises in Luxembourg, the Banks considers that its business model does not entail any high or medium risk operations. Indeed, all the activities are related to client operations with a low or inexistent risk on the Bank's side and even the treasury operations performed by the Bank are limited to the execution of client orders and the placement of the *nostro* account balances at the end of the day and of the Bank's own capital and expenses.
- 12.2. Based on its assessment of the criteria set out by CSSF circular 11/505, the Bank chooses to apply the proportionality principle on an institutional basis unless or until the two following conditions are met cumulatively:
- (a) the Bank's balance sheet total exceeds EUR 5 billion, and
  - (b) the Bank's overall capital requirements exceed EUR 125 million (base 100%) or EUR 1,562.5 million (base 8%).
- 12.3. Considering the criteria referred to in Articles 12.1 and 12.2. (Annex 5.), the Bank applies the proportionality principle and uses the neutralization in Article 13.
- 12.4. However, if (i) the legal and/or regulatory requirements change, (ii) the thresholds set out in paragraph 12.2. above are exceeded, or (iii) the Bank's activities are not longer low risk, the Board of Directors shall review the Remuneration Policy and consider whether the Bank can apply the proportionality principle on an institutional basis or not. If the Bank cannot apply the proportionality principle on an institutional basis any more, (a) the Remuneration Policy has to be amended accordingly, and (b) the Bank will assess whether it can apply the proportionality principle among risk takers whose impact on the Bank's risk profile is deemed minor.
- 12.5. For the purposes of paragraph 12.4 above and pursuant to applicable legal and regulatory rules, the Bank may reasonably consider persons whose annual variable remuneration does not exceed EUR 100,000 as risk takers whose impact on the Bank's risk profile is minor. If the Bank were to apply the proportionality principle among risk



takers, it would only be able to do so for persons who receive annual variable remuneration not exceeding EUR 100,000.

### **Article 13. (Neutralization)**

13.1 The Bank applies the proportionality principle on an institutional basis (as stated in Article 12.3. above) and decides therefore that the following requirements under applicable legal and regulatory rules shall be neutralized. If the Bank cannot or does not apply the proportionality principle, the Bank cannot use any neutralization. Then the Remuneration Policy has to be amended accordingly.

13.2 Neutralizations that the Bank uses are:

- (a) Establishment of Remuneration committee;
- (b) Deferral of part of the variable remuneration;
- (c) Pay-out of part of the variable remuneration in instruments;
- (d) Retention policy; and
- (e) Ex post incorporation of risk for the variable remuneration (malus or clawback).

## **Chapter 4. Fixed Remuneration**

### **Article 14. (Definition)**

14.1. A fixed remuneration is any remuneration which (a) reflects relevant professional experience and organizational responsibility as set out in an Identified Staff member or Staff member's job description as part of their terms of employment, and (b) is paid out without consideration of any performance criteria.

14.2. A fixed remuneration may consist of:

- (a) a recurrent, generally monthly payment to a member of the Bank's Identified Staff or Staff that is made upon the basis of an employment contract;
- (b) a 13th month payment;
- (c) payments or benefits that are predetermined, transparent to Staff, permanent available up to the same amount to all Staff or to a particular group of Staff, irrespectively of the performance of the Staff or of the department in which the Staff is working (a list of available benefits are set out in Annex 6).

14.3. Remuneration of overtime, nighttime or of working time on holidays or Sundays is not related to performance criteria and is considered to be a part of the fixed remuneration.

### **Article 15. (Beneficiaries)**



15.1. The fixed remuneration of Identified Staff or Staff members, as set out hereafter, is decided in compliance with this Remuneration Policy.

(a) the Board of Directors (Non Executive Directors)

The members of the Board of Directors who are not part of the Group, the Non-Group Directors, receive a fixed remuneration in the form of:

- (i) a fixed annual fee in consideration for performing their duties as Non-Executive Directors of the Bank, and
- (ii) a fixed fee per meeting in consideration for attending the meetings of the Board of Directors and any committee of which they are part.

The Directors of the Bank who are also members of the General Management receive a fixed remuneration in accordance with the provisions of clause (b) hereafter.

Members of the Board of Directors who are neither Non-Group Directors, nor members of the General Management are not paid any fixed remuneration by reason of their directorial functions at the Bank.

(b) the General Management

The fixed remuneration of the members of the General Management is determined by the Board of Directors.

Members of the General Management that are also members of the Board of Directors are prohibited from attending board meetings discussing and deciding the General Management's remuneration.

The fixed remuneration of the members of the General Management that are expatriates, is proposed by the Group company and shareholders of the Bank, MUTB or BTMU. The Board of Directors approves it annually.

(c) the other Identified Staff and Staff

The fixed remuneration of the senior officers in the risk management, compliance functions and internal audit is directly overseen by the Remuneration Committee or, if such a committee has not been established, by the Board of Directors. The fixed remuneration of the other Staff is determined by the General Management.

There are four categories of Staff who receive a fixed remuneration:

- (a) *Staff under the Collective Convention*: Most of the Staff is hired under the Collective Convention. The amount of the remuneration is fixed by the Collective Convention on the basis of salary groups determined by (i) the level of education, (ii) the actual duties performed, and (iii) the seniority of each employee hired under the Collective Convention. Further details may be found in the Collective Convention.
- (b) *Staff outside of the scope of the Collective Convention*: Certain Staff holding a managerial position (as specified in Art. L. 162-8 of the Labor Code) may under



certain conditions be outside of the scope of the Collective Convention. The fixed remuneration of such Staff is determined in their employment contract.

- (c) *Bank apprentices whose status is governed by Art. L. 111-1 et seq. of the Labor Code.*
- (d) *Trainees and other short term employees who are not subject to Art. L. 111-1 et seq. of the Labor Code.*

15.2. Not all categories of Staff may be present at the Bank at all times.

### **Article 16. (Changes)**

16.1. Any increase to the fixed remuneration is based upon:

- (a) the Collective Convention (for Staff within the scope of the Collective Convention), and/or
- (b) the discretionary opinion of the person(s) in charge of the remuneration pursuant to Article 4 of the Remuneration Policy.

16.2. A decrease of the fixed remuneration is only possible if certain legal formal requirements are met (in accordance with the applicable provisions of the Labor Code).

### **Article 17. (Payment Date of the Fixed Remuneration)**

Payment dates of the Fixed Remuneration is on the 25<sup>th</sup> day of each month, or if such day is not a day on which banks are open for business in Luxembourg, on the immediately preceding business day. Part of the Fixed Remuneration of Expatriate is paid out in Japan on different dates.

### **Article 18. (Department in charge of the payment of the Fixed Remuneration)**

The Human Resources Department is in charge for the payment of the Fixed Remuneration.

## **Chapter 5. Variable Remuneration**

### **Article 19. (Definition)**

19.1. A variable remuneration is any remuneration which (a) reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfill an Identified Staff member or Staff member's job description as part of their terms of employment, and (b) subject to the provisions of Article 22 hereafter, is awarded on a discretionary basis on the basis of the performance of the receiver, the receiver's business unit, the Bank or the Group (hereinafter a "Variable Remuneration").

19.2. A Variable Remuneration can only be paid by the Bank to its employees if the following conditions are fulfilled:

- (a) the total variable remuneration to be paid by the Bank does not limit the Bank's ability



to strengthen its capital base; and

- (b) the variable remuneration, including any deferred portion, is paid or vests only if it is (i) sustainable according to the financial situation of the Bank as a whole, and (ii) justified on the basis of the performance of the Bank as well as the individual and the business unit concerned.

19.3. The decision of allocation of a Variable Remuneration to the Bank's employees lies with the Board of Directors.

## **Article 20. (Beneficiaries)**

The variable remuneration of Identified Staff or Staff members, as set out hereafter, is decided in compliance with this Remuneration Policy.

- (a) the Board of Directors (Non Executive Directors)

The Board of Directors (Non Executive Directors) is not paid any Variable Remuneration by reason of their directorial functions at the Bank.

- (b) the General Management

The Variable Remuneration of the members of the General Management is determined by the Board of Directors.

Members of the General Management that are also members of the Board of Directors are prohibited from attending board meetings discussing and deciding the General Management's remuneration.

The Variable Remuneration paid to the General Management that are expatriate is proposed by the Group company and shareholders of the Bank, MUTB or BTMU. The Board of Directors approves it and can require the repayment of all or part of the Variable Remuneration that has been paid out already if the amount proposed by the Group company is not appropriate.

- (c) Other Identified Staff

The Variable remuneration of the senior officers in the risk management, compliance functions and internal audit is directly overseen by the Remuneration Committee or, if such a committee has not been established, by the Board of Directors.

The Variable Remuneration paid to other Identified Staff is determined by the Remuneration Committee (if any) or the General Management. The Board of Directors oversees it. In case it is determined by the Remuneration Committee, any Identified Staff member who is a member of the Remuneration Committee is prohibited from attending the meetings discussing and deciding their respective remuneration.

- (d) Staff members

The Variable Remuneration paid to Staff members is determined by the General Management. The General Management will report to the Board of Directors and to the



Remuneration Committee (if any) once a year on the general evolution of the remuneration structure of the Bank.

(e) Beneficiaries' undertaking

All Identified Staff members and Staff members are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

**Article 21. (Form of a Variable Remuneration)**

21.1. Variable Remunerations (if any) is paid out by the Bank without differentiating between Identified Staff members and other Staff members with respect to the form of the Variable Remuneration; only the criteria of allocation may differ (in accordance with Article 23 hereafter).

21.2. The Bank has no intention to pay Variable Remuneration in any form other than bonuses in cash (*e.g.*, in the form of financial instruments) for as long the proportionality principle applies in accordance with the provisions of Article 12.

21.3. In case any of the facts detailed in this Article 21 changes, this Remuneration Policy has to be amended.

**Article 22. (Determination of a Variable Remuneration in a contract)**

22.1. In principle, Variable Remuneration cannot be fixed in the employment contract.

22.2. As an exceptional measure, and in order to help in the recruitment of experienced persons, a "welcome bonus" may be fixed in the employment contract, but such is only permitted (i) for the first year of employment and (ii) if the Bank has a sound and strong capital base.

22.3. When there are special circumstances (*e.g.* restructuring of business, merger or acquisition, wind-down) indicating that an employee may be considering resignation and such an action would result in an undesirable loss to the ability of the business to function at optimum levels, a "Retention Bonus" may be fixed in the employment contract. The Retention Bonus is not awarded to merely compensate for performance related remuneration not paid due to insufficient performance or the Bank's financial situation. The retention period can be up to 2 years. The Retention Bonus is awarded after the retention period ends or the retention condition is met.

22.4. So called "golden parachute" (additional remuneration related to departure), are not permitted.

22.5. Severance payment is not a Variable Remuneration fixed in a contract. It may be paid only in line with mandatory requirements under national law or following a decision of a court. It may, under no circumstances, reward failure to perform of any kind. It should be considered as variable remuneration but should not be taken into account for the purpose of the calculation of the ratio between fixed and variable remuneration. The Bank does not have any other type of severance payment.



### **Article 23. (Criteria for the allocation of a Variable Remuneration)**

23.1. If and to the extent that the Variable Remuneration is performance related:

- (a) it is based on a combination of the assessment of the performance of the person and of the business unit concerned as well as of the overall results of the Bank (and/or the Group),
- (b) the assessment of the performance of Identified Staff is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance, and
- (c) when assessing individual performance, both financial and non-financial criteria are taken into account.

23.2. The quantitative and qualitative criteria for the performance assessment on the basis of which Variable Remuneration is awarded, the weightings assigned to each of these criteria, and the guidelines for their application as well as an appraisal template are set out in Annex 7.

### **Article 24. (Conditions of payment of a Variable Remuneration)**

24.1. A Variable Remuneration will be paid out subject to the following terms and conditions:

#### **B1. Cash Payment**

The Variable Remuneration is paid in cash only as long as the proportionality principle applies in accordance with the provisions of Article 12.

#### **B2. No Deferral of payment**

The Bank has no intention to defer the payment of Variable Remuneration for as long the proportionality principle applies in accordance with the provisions of Article 12.

#### **B3. The Board of Directors and/or General Management (as the case may be) is authorized to require the repayment of all or part of the Variable Remuneration that has been paid out already based on data which was subsequently proven to be substantially fraudulent. Such repayment can only be requested of the fraudster themselves.**

Any such a decision has to be communicated to the receiver of the Variable Remunerations in writing.

24.2. The Bank is not authorized to enter into an employment contract that specifically excludes or voids any of the above terms and conditions B1. to B3.

24.3. Subject to the conditions set out in points B1. to B3. above, in case of termination of the employment contract for any reason whatsoever, any unpaid portion of a Variable Remuneration is to be paid out with the last salary due.

24.4. In case any of the facts detailed in this Article 24 changes, this Remuneration Policy has to be amended.



**Article 25. (Payment Date of the Variable Remuneration)**

- 25.1. Payment date of the Variable Remuneration, or a part thereof, except in cases in which such is fixed contractually, is situated on a day of the month of February or March of the next following year to which it relates. Payment date of the Variable Remuneration for Expatriate Staff is determined by the Group company and shareholders of the Bank, MUTB or BTMU.
- 25.2. The General Management will announce the payment day each year in advance to the Staff.
- 25.3. The Board of Directors and/or General Management may decide to fix a different date for the payment of the Variable Remuneration amount or part of the Variable Remuneration amount.

**Article 26. (Department in charge of the payment of the Variable Remuneration)**

Human Resources Department is in charge for the pay-out of the Variable Remuneration.

**Article 27. (Balance between fixed and variable remuneration)**

- 27.1. The Bank ensures that the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.
- 27.2. Variable Remunerations (if any) is paid out by the Bank:
- (a) normally in a range between 0 % and 50% of an Identified Staff or a Staff member's total fixed annual remuneration and not exceeding 100 % of such total fixed annual remuneration, and
  - (b) exceptionally in excess of 100% of an Identified Staff 's total fixed annual remuneration but never exceeding 200 % of such total fixed annual remuneration, in which case the procedure detailed in paragraph 27.3 below must be followed.
- 27.3. The Bank's shareholders may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual. Any such approval of a higher ratio shall comply with the following procedure:
- (a) the Bank's shareholders shall act upon a detailed recommendation by the Board of Directors giving the reasons for, and the scope of, an approval sought, including the number of Staff affected, their functions and the expected impact on the requirement to maintain a sound capital base;
  - (b) the Bank's shareholders shall act by a majority of at least 66% provided that at least 50% of the shares or equivalent ownership rights are represented or, failing



- that, shall act by a majority of 75% of the ownership rights represented;
- (c) the Bank shall notify all shareholders, providing a reasonable notice period in advance, that an approval will be sought;
  - (d) the Bank shall, without delay, inform the CSSF of the recommendation to its shareholders, including the proposed higher maximum ratio and the reasons therefore and shall be able to demonstrate to the CSSF that the proposed higher ratio does not conflict with the institution's obligations under the Banking Act, under Regulation (EU) No 575/2013 and under their implementing measures, having regard in particular to the Bank's own funds obligations;
  - (e) the Bank shall, without delay, inform the CSSF of the decisions taken by its shareholders, including any approved higher maximum ratio; and
  - (f) Staff who are directly concerned by the higher maximum levels of this variable remuneration shall not, where applicable, be allowed to exercise, directly or indirectly, any voting rights they may have as shareholders of the Bank.

## **Chapter 6. Various**

### **Article 28. (Basis for the policy)**

28.1. This policy is based upon the following:

- Article 5(1a) and Chapter 4a (*Governance arrangements and remuneration policies*) of Part II of the Banking Act;
- Articles 74, 75 and 92 to 96 of CRD IV;
- Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014 supplementing Directive (EU) No 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration Text with EEA relevance;
- Circular CSSF 10/496 amending Circular CSSF 06/273 defining capital ratios pursuant to article 56 of the Banking Act and transposing CRD III (including the CEBS Guidelines on Remuneration Policies and Practices dated 10 December 2010 incorporated by reference into the Circular);
- Circular CSSF 11/505 on details relating to the application of the principle of proportionality when establishing and applying remuneration policies that are



consistent with sound and effective risk management as laid down in Circulars CSSF 10/496;

- Circular CSSF 12/552 on central administration, internal governance and risk management (as amended by circulars CSSF 13/563 and CSSF 14/597);
- Circular 14/585 transposing the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID) - Addition of Annexe V to Circular CSSF 07/307; and
- Circular 15/622 on higher ratio notification procedure applicable to the remuneration policy according to Article 94(1)(g)(ii) of CRD IV; and
- the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

## 28.2. Upcoming updates:

The EBA published the final Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) N° 575/2013 on 21 December 2015 (the “Guidelines”).

Together with the Guidelines, the EBA published an Opinion on the application of the principle of proportionality to the remuneration provisions in Directive 2013/36/EU (the “Opinion”).

In the Opinion, the EBA notes that the principle of proportionality is applied differently in different EU Member-States, and considers *“that it is essential to establish a more harmonized approach... and to provide legal clarification regarding the application of the remuneration requirements in accordance with the proportionality principle”*.

The EBA therefore suggests that Directive 20173/36/EU should be amended *“to exclude certain small, non-complex institutions from the requirements to apply the remuneration principles regarding deferral and payment in instruments for variable remuneration, and to limit the scope of those remuneration principles as regards staff who receive low amounts of variable remuneration, including in large institutions”*.



## Annex 1 – Definitions

“Bank”	means Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., a Luxembourg public company limited by shares ( <i>société anonyme</i> ), with registered offices at 287-289, route d'Arlon, L-1150 Luxembourg, registered with the Luxembourg trade and commerce register ( <i>Registre de Commerce et des Sociétés</i> ) under the number B 11.937, authorized as a credit institution under the Banking Act and subject to prudential supervision by the CSSF.
“Banking Act”	means the Luxembourg act of 5 April 1993 on the financial sector, as amended.
“Board of Directors”	means the board of directors of the Bank, duly appointed by the general meeting of shareholders of the Bank and authorized by the CSSF.
“BTMU”	means The Bank of Tokyo-Mitsubishi, Ltd., a Japanese limited company, having its head office at 2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
“Collective Convention”	means the collective bargaining agreement for bank employees ( <i>convention collective de travail des salariés de banque</i> ) applicable to certain employees of banks who are members of the Luxembourg Bankers’ Association ( <i>Association des Banques et Banquiers Luxembourg</i> (“ABBL”)), as amended or restated from time to time.
“Control Functions”	means the function has responsibility and accountability to the management body for the activities of the independent risk management function, compliance function or internal audit function.
“CRD III”	means Directive 2010/76/EU of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitizations, and the supervisory review of remuneration policies.
“CRD IV”	means Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
“CRR”	means Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

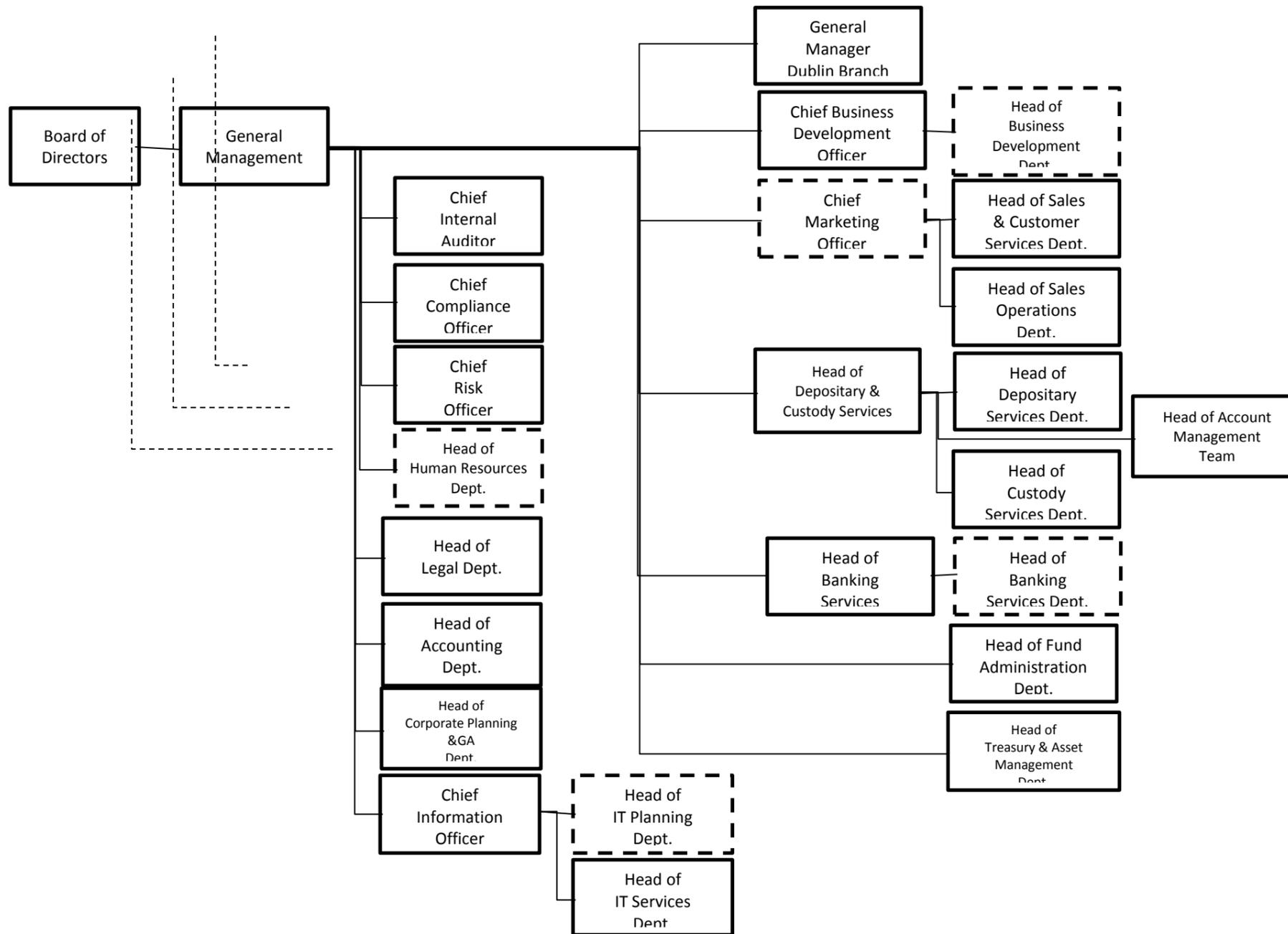


“CSSF”	means the Luxembourg supervisory authority of the financial sector, the <i>Commission de surveillance du secteur financier</i> .
“Director”	means a member of the Board of Directors.
“EBA”	means the European Banking Authority.
“ESMA”	means the European Securities and Markets Authority.
“General Management”	means the persons responsible for the day-to-day management of the Bank, duly appointed by the Board of Directors and authorized by the CSSF.
“Group”	means the group of companies to which the Bank belongs.
“Identified Staff”	has the meaning set out in Article 11 of the Remuneration Policy.
“Material Business Unit”	means a business unit which has been allocated at least 2% of the Bank’s internal capital.
“MiFID”	means Directive 2004/39/EC of 21 April 2004 on markets in financial instruments.
“MUTB”	means Mitsubishi UFJ Trust and Banking Corporation, a Japanese company, having its registered offices at 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo 100-8212, Japan.
“Remuneration Committee”	means the specialized committee established by the Board of Directors to assist it and provide it with critical assessments in respect of the organization and operation of the Bank in the field of remuneration policies and practices (in order to enable the Board of Directors to fulfill their supervisory mission and to take on their responsibilities pursuant to applicable legal and regulatory requirements).
“Remuneration Policy”	means this remuneration policy as amended from time to time.
“Senior Management”	means the persons who are members of Executive Committee or who report directly to the General Management.
“Staff”	means all the persons employed by the Bank, including division and department heads, but excluding the General Management.
“Variable Remuneration”	has the meaning set out in Article 19 of the Remuneration Policy.



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Annex 2 – Organization chart (As of 1st December, 2016)



Managing Director is concurrently assigned to Head of Human Resources Dept.  
 Deputy Managing Director is concurrently assigned to Chief Marketing Officer.  
 Chief Information Officer is concurrently assigned to Head of IT Planning Dept.  
 Chief Business Development Officer is concurrently assigned to Head of Business Development Dept.  
 Head of Banking Services is concurrently assigned to Head of Banking Services Dept.



**Annex 3 – Criteria of Identified Staff - Criteria to identify categories of staff / Commission Delegated Regulation (EU) No 604/2014 (article 11 of the Remuneration Policy)**

<b>Article 3. Qualitative criteria</b>	
(1)	the staff member is a member of the management body in its management function
(2)	the staff member is a member of the management body in its supervisory function
(3)	the staff member is a member of the senior management
(4)	the staff member is responsible and accountable to the management body for the activities of the independent risk management function, compliance function or internal audit function
(5)	the staff member has overall responsibility for risk management within a business unit as defined in Article 142(1)(3) of Regulation (EU) No 575/2013 which has had internal capital distributed to it in accordance with Article 73 of Directive 2013/36/EU that represents at least 2 % of the internal capital of the institution (a 'material business unit')
(6)	the staff member heads a material business unit
(7)	the staff member has managerial responsibility in one of the functions referred to in point (4) or in a material business unit and reports directly to a staff member identified pursuant to point (4) or (5)
(8)	the staff member has managerial responsibility in a material business unit and reports directly to the staff member who heads that unit
(9)	the staff member heads a function responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy, information technology, or economic analysis
(10)	the staff member is responsible for, or is a member of, a committee responsible for the management of a risk category provided for in Articles 79 to 87 of Directive 2013/36/EU other than credit risk and market risk
(11)	with regard to credit risk exposures of a nominal amount per transaction which represents 0.5 % of the institution's Common Equity Tier 1 capital and is at least EUR 5 million, the staff member <ul style="list-style-type: none"> <li>(a) is responsible for initiating credit proposals, or structuring credit products, which can result in such credit risk exposures</li> <li>(b) has authority to take, approve or veto a decision on such credit risk exposures</li> <li>(c) is a member of a committee which has authority to take the decisions referred to in point (a) or (b)</li> </ul>
(12)	in relation to an institution to which the derogation for small trading book business provided for in Article 94 of Regulation (EU) No 575/2013 does not apply, the staff member <ul style="list-style-type: none"> <li>(a) has authority to take, approve or veto a decision on transactions on the trading book which in aggregate meet one of the following thresholds:               <ul style="list-style-type: none"> <li>(i) where the standardized approach is used, an own funds requirement for market risks which represents 0.5 % or more of the institution's Common Equity Tier 1 capital; or</li> <li>(ii) where an internal model-based approach is approved for regulatory purposes, 5 % or more of</li> </ul> </li> </ul>



	the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval)
	(b) is a member of a committee which has authority to take decisions set out in point (a)
(13)	the staff member has managerial responsibility for a group of staff members who have individual authorities to commit the institution to transactions and either of the following conditions is met
	(a) the sum of those authorities equals or exceeds a threshold set out in point 11(a), point 11(b) or point 12(a)(i)
	(b) where an internal model-based approach is approved for regulatory purposes those authorities amount to 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval). Where the institution does not calculate a value-at-risk at the level of that staff member the value-at-risk limits of staff under the management of this staff member shall be added up
(14)	with regard to decisions to approve or veto the introduction of new products, the staff member
	(a) has the authority to take such decisions
	(b) is a member of a committee which has authority to take such decisions
(15)	the staff member has managerial responsibility for a staff member who meets one of the criteria set out in points (1) to (14)

<b>Article 4. Quantitative criteria</b>	
1	Subject to paragraphs 2 to 5, staff shall be deemed to have a material impact on an institution's risk profile where any of the following quantitative criteria are met
	(a) the staff member has been awarded total remuneration of EUR 500 000 or more in the preceding financial year
	(b) the staff member is within the 0.3 % of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year
	c) the staff member was in the preceding financial year awarded total remuneration that is equal to or greater than the lowest total remuneration awarded in that financial year to a member of senior management or to a member of staff who meets any of the criteria in points (1), (5), (6), (8), (11), (12), (13) or (14) of Article 3
2	A criterion set out in paragraph 1 shall not be deemed to be met where the institution determines that the professional activities of the staff member do not have a material impact on the institution's risk profile because the staff member, or the category of staff to which the staff member belongs
	(a) the staff member or category of staff only carries out professional activities and has authorities in a business unit which is not a material business unit
	(b) the professional activities of the staff member or category of staff have no material impact on the risk profile of a material business unit
3	The condition set out in point (b) of paragraph 2 shall be assessed on the basis of objective criteria



	<p>which take into account all relevant risk and performance indicators used by the institution to identify, manage and monitor risks in accordance with Article 74 of Directive 2013/36/EU and on the basis of the duties and authorities of the staff member or category of staff and their impact on the institution's risk profile when compared with the impact of the professional activities of staff members identified by the criteria set out in Article 3 of this Regulation</p>
4	<p>An institution shall notify the competent authority responsible for its prudential supervision of the application of paragraph 2 in relation to the criterion in point (a) of paragraph 1. The notification shall set out the basis on which the institution has determined that the staff member concerned, or the category of staff to which the staff member belongs, meets one of the conditions laid down in paragraph 2 and shall, if applicable, include the assessment carried out by the institution pursuant to paragraph 3.</p>
5	<p>The application of paragraph 2 by an institution in respect of a staff member who was awarded total remuneration of EUR 750 000 or more in the preceding financial year, or in relation to the criterion in point (b) of paragraph 1, shall be subject to the prior approval of the competent authority responsible for prudential supervision of that institution.</p> <p>The competent authority shall only give its prior approval where the institution can demonstrate that one of the conditions set out in paragraph 2 is satisfied, having regard, in respect of the condition in point (b) of paragraph 2, to the assessment criteria set out in paragraph 3.</p> <p>Where the staff member was awarded total remuneration of EUR 1 000 000 or more in the preceding financial year the competent authority shall only give its prior approval in exceptional circumstances. In order to ensure the consistent application of this Article the competent authority shall inform the European Banking Authority before giving its approval in respect of such a staff member.</p>



Annex 4 – List of Identified Staff (as of 1<sup>st</sup> December, 2016) (article 11 of the Remuneration Policy)

		Title		Qualitative criteria	Quantitative criteria	Identified Staff	
Management body (Supervisory Function)		Non Executive Director		2 (No remuneration)		X	
		Non Executive Director		2 (No remuneration)		X	
		Non Executive Director		2 (No remuneration)		X	
		Non Executive Director		2 (No remuneration)		X	4
Management body (Management Function)		Executive Director	MD	1,3,10,11(b),11(c),14(a),14(b),15		X	
		Executive Director	DMD	1,3,10,11(b),11(c),14(a),14(b),15		X	2
Control functions		Chief Internal Auditor	FVP	4		X	
		Chief Compliance Officer	SVP	3,4,10,14(b)		X	
		Chief Risk Officer	FVP	3,4,10,11(b),11(c),13(a),14(b),15		X	3
Senior Management	Members of Executive Committee	Head of Corporate Planning & General Administration Dept.	SVP	3,9,10,11(c)		X	
		Head of Accounting Dept.	SVP	3,9,11(c)		X	
		Chief Marketing Officer	DMD	1,3,10, 11(a), 11(b),11(c),14(a),14(b),15		(X)	
		Chief Information Officer	SVP	3,10,15		X	
		Chief Business Development Officer	SVP	3,10		X	
		General Manager of Dublin Branch	GM	3,14(b)		X	
		Head of Legal Dept.	FVP	3,9,14(b)		X	
	Directly report to General Manager	Head of Treasury & Asset Management Dept.	SVP	3,5,6,10,11(a),11(c)		X	
		Head of Depository & Custody Services	SVP	3,10,14(b)		X	
		Head of Banking Services	SVP	3,10		X	
		Head of Fund Administration Dept.	FVP	3,10,14(b)		X	
		Head of IT Planning Dept.	SVP	3,9, 10,15		(X)	
		Head of IT Services Dept.	SVP	9		X	
Others	Head of Sales & Customer Services Dept.	SVP	11(a),15		X		
	Head of Sales & Customer Services Dept.	SVP	11(a),15		X		
	Compliance Dept.	FVP		1(c) + 2(a) *		-	
	Risk Management Dept.	FVP	7		X		
	Risk Management Dept.	VP	7		X		
	Sales & Custody Services Dept.	FVP	11(a)		X		
	Sales & Custody Services Dept.	FVP	11(a)		X		
	Head of Depository Services Dept.	SVP		1(c) + 2(a) *		-	
	Head of Custody Services Dept.	FVP		1(c) + 2(a) *		-	
	Head of Business Development Dept.	SVP	3,10		(X)		
	Head of Sales Operations Dept.	SVP		1(c) + 2(a) *		-	
	Head of Account Management Team	FVP		1(c) + 2(a) *		-	
							7
							0

Identified Staffs – Total 26



**Annex 5 – Quantitative Criteria of the proportionality principle (article 12 of the Remuneration Policy)**

	<b>As of December 2015</b>		<b>Criteria</b>
<b>the Bank's balance sheet total</b>	<b>EUR 3.3 billion</b>	<b>&lt;</b>	<b>EUR 5 billion</b>
<b>the Bank's overall capital requirements (100% base)</b>	<b>EUR 62.4 million</b>	<b>&lt;</b>	<b>EUR 125 million</b>



**Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.**

**Annex 6 – List of Allowances (article 14 of the Remuneration Policy)**

Available upon request



## Annex 7 – Criteria for the assessment on the basis of which Variable Remuneration is awarded (article 23 of the Remuneration Policy)

### 1. Introduction

Where Variable Remuneration is performance related:

- (a) it is based on a combination of the assessment of the performance of the person and of the business unit concerned as well as of the overall results of the Bank (and/or the Group),
- (b) the assessment of the performance of Identified Staff is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance, and
- (c) when assessing individual performance, both financial and non-financial criteria are taken into account.

In practice, this means that the allocation of Variable Remuneration to the employees of the Bank is a step-by-step process involving four steps.

- The first step consists in determining, on the basis of the performance of the Bank and the Group, the total amount available for allocation as Variable Remuneration (in accordance with applicable legal and regulatory requirements) (*cf.* Criteria A1 to A7 in the table below).
- The second step consists in a performance assessment of each of the Bank's Business Units and the allocation of the amount available for allocation as Variable Remuneration by each Business Unit (*cf.* Criteria A11 to A13 in the table below).
- The third step consists in assessing the performance of the employees of the Bank (*cf.* Criteria A8 to A10). This is done on an annual basis using the Appraisal Form Template set out in point 4. hereafter. This appraisal covers both qualitative criteria (covered in Section I of the Appraisal Form Template), and qualitative criteria (covered in Section II of the Appraisal Form Template). The weight of each set of criteria is indicated in the Appraisal Form Template.

The appraisal is done under the following steps:

Firstly:

The employee is doing his/her own self assessment on the performance of goals & targets set early in the year;

Secondly:

The manager/Supervisor of the department examines and evaluates the work behavior and the performance of the employee

Thirdly:

The manager is reporting draft notes to General Management in order that General Management is capable to check the fairness of evaluating staffs within various departments.

Fourthly :

The results of the appraisals are provided via a feedback meeting to the employee and it is explained where improvements are needed and why. In addition it is discussed which needs of training are existing and eventually who will be promoted or a salary increase will be requested to General Management.

The appraisal session is every year giving the possibility to have an open discussion between Manager /Supervisor and Employee based on this discussions the Appraiser and the Employee can add comments on the appraisal sheet .

- The final step in the process consists in a comparative evaluation by the General Management of the results of the assessment exercise. The aim of this process is to balance the results of the assessment exercise and ensure a fair allocation of Variable Remuneration across the different Business Units. The General Management of the bank will allocate the total amount of variable remuneration approved by the Board of Directors to each staff member of the bank.



**2. List of criteria and weight (1 = High, 2 = Medium, 3 = Low, 4 = Not Applicable)**

Criteria		General Management	Control Function	Other Identified Staff	Other Staff
<b>I. Performance of the Bank and the Group</b>		<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>
A1	overall performance of the Bank				
A2	overall performance of the Bank compared to the targets of profitability fixed				
A3	overall performance of the main shareholders MUTB and/or BTMU				
A4	expectations of evolution during the next three years of the Bank				
A5	expectations of evolution during the next three years of MUTB or BTMU				
A6	total bonus amount allocated to the Bank by the Board of Directors				
A7	bonus amount allocated by the Board of Directors and/or General Management (as the case may be) to the respective business unit				
<b>II. Individual Performance</b>		<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>
A8	personal performance of the employee during the year for which the bonus will be paid				
A9	personal performance of the employee during the previous two years				
A10	personal performance of the employee compared to the targets fixed at the beginning of the respective year				
<b>III. Performance of the Business Unit</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>4</b>
A11	overall performance of the department of which the employee is a member during the year to which the bonus relates				
A12	overall performance of the department of which the employee is a member during the previous two years				
A13	overall performance of the department compared to similar departments				
<b>IV. Discretionary appreciation</b>		<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
A14	discretionary appreciation of the direct supervisor or the manager (if any)				
A15	discretionary appreciation of the decision maker, the Board of Directors or General Management (as the case may be)				



### 3. Guidelines for the application of the criteria (listed under point 1 above)

- 2.1 For criteria A8. to A10. “performance” is to be understood as a combination of both financial and professional achievements, including the position of the employee within the Bank, his adherence to the Bank’s principles, his behavior at work and the relationship to other employees and to clients (if applicable), as further detailed in the appraisal process that takes place once a year (includes also periodical interim reviews) and the respective related procedure and evidenced by a “score” that the employee has obtained.
- 2.2 For criteria A11 to A 13. “performance” is to be understood as a combination of financial achievement (if any target is set individually) and non financial achievements. Criteria A11. to A13. are taken into account only for the heads of business units.
- 2.3 For criteria A1. to A3. “performance” is to be understood as financial achievements only.
- 2.4 The weighting of the above criteria may be different for expatriates and certain criteria may not be applied. Criteria A3. and A5., in particular, carry a higher weight for expatriate staff.
- 2.5 The Board of Directors and/or General Management (as the case may be) are authorized not to take into account one, some or most of the above criteria, subject the reason for such are duly explained to the respective person and documented, for inspection by the Board of Directors or the Remuneration Committee (if any) and the Control Functions.
- 2.6 The Board of Directors and/or General Management (as the case may be) are not authorized to take into account any other criteria not listed above.
- 2.7 The Bank is not authorized to enter into an employment contract that specifically excludes or voids any of the above criteria A1. to A2. and A8. to A10.



## **4. Appraisal Template**

Available upon request

**Annex 8 – Composition of the Remuneration Committee (article 5 of the Remuneration Policy)**

The Bank does not establish the Remuneration Committee currently.