

Policy:
LUX-POL-006
Remuneration Policy



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12.2	05/12/2023	Human Resources	Executive Management Committee Remuneration Committee Board of Directors

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Content

1. INTRODUCTION.....	3
1.1 CONTEXT, PURPOSE AND SCOPE OF APPLICATION	3
1.2 GENERAL PRINCIPLES.....	3
2. RISK ANALYSIS AND DEFINITION OF THE IDENTIFIED STAFF	5
2.1 APPROACH.....	5
2.2 ANDBANK LUXEMBOURG'S ORGANIZATION AND ACTIVITIES.....	5
2.3 RISKS RELATED TO THE BANK'S ACTIVITIES AND RELATED SAFEGUARDS.....	6
2.4 IDENTIFIED STAFF.....	7
2.5 RELEVANT PERSONS.....	9
2.6 RESORT TO THE PROPORTIONALITY PRINCIPLE "AMONG INSTITUTIONS".....	10
3. REMUNERATION STRUCTURE AND BONUS PAY-OUT MODALITIES.....	10
3.1 STRUCTURE OF THE REMUNERATION PACKAGES.....	10
3.2 VARIABLE REMUNERATION PRINCIPLES AND UPPER LIMITS.....	12
3.3 DEFERRAL AND INSTRUMENT-LINKED PAY OUT PROVISIONS.....	15
3.4 THE EX ANTE RISK ADJUSTMENT IN THE AWARD PROCESS	15
3.5 SPECIFIC PAY OUT PROVISIONS.....	15
4. PERFORMANCE ASSESSMENT	17
4.2 Department performance criteria	18
4.3 Individual performance criteria	18
5. GOVERNANCE.....	18
5.1 BOARD OF DIRECTORS	18
5.2 NOMINATION & REMUNERATION COMMITTEE.....	19
5.3 EXECUTIVE MANAGEMENT	19
5.4 CONTROL FUNCTIONS.....	20
6. DISCLOSURE.....	21
6.1 INTERNAL DISCLOSURE	21
6.2 EXTERNAL DISCLOSURE.....	21
7. APPENDICES	21
8. TRACK VERSION	21

1. INTRODUCTION

1.1 CONTEXT, PURPOSE, AND SCOPE OF APPLICATION

This Remuneration Policy, hereafter “the Policy”, defines and describes the remuneration principles and practices set out by Andbank Luxembourg, hereafter “AL” or “the Bank”.

The general principles and provisions set out by the Policy shall prevail on all existing principles and rules set by other documents and apply to all employees of the Bank in Luxembourg.

The Policy is approved by the Board of Directors and becomes effective immediately as from its approval. The general provisions of the Policy apply and are made available to all employees of the Bank.

1.2 GENERAL PRINCIPLES

The Policy's conducting principles reflect Andbank Group's business strategy, objectives, values and interests.

They are based on the following pillars:

- **Sound and effective risk management**

The Policy and related practices aim at protecting the interests of the Bank's customers, employees, and shareholders as well as the Bank's financial sustainability in a long-term perspective. In this context, AL has established, implemented, and maintains a Policy which is consistent with and promotes sound and effective risk management and which does not induce excessive risk-taking (including sustainability risks).

- **Avoidance of conflicts of interest**

The Policy incorporates measures to avoid conflicts of interests, as set out by the Bank's Conflicts of Interests Policy.

- **Competitive and attractive remuneration**

To ensure that client's satisfaction and protection remain at the heart of its philosophy, AL wishes to attract, retain and motivate highly qualified professionals in their respective domains. In this light, AL offers remuneration packages that, while in line with market practices, do remain competitive attractive.

- **Alignment between performance and remuneration**

Variable remunerations, while being part of the standard compensation packages offered by the Bank, are linked to effective performance and are subject to strict assessment rules that aim at preventing excessive risk-taking behaviours. The ultimate objective consists in protecting the long-term interests of the different stakeholders, i.e. the customers, the shareholders, the employees and the Bank itself. In this context, the Bank does not reward failure.

• **Gender neutrality and diversity**

According to the EBA Guidelines EBA/GL/2021/04, the Bank ensures that all aspects of this Remuneration Policy are gender-neutral and based on equal pay for male and female workers for equal work or work of equal value. We also ensure equal treatment in terms of career opportunities.

Moreover, the Bank promotes diversity by recruiting candidates from different gender, age, educational and professional background, and geographical origin.

• **Compliance with the regulatory requirements on remuneration policies and practices in the financial sector**

This Policy complies with the various regulatory texts issued by the European and Luxembourg authorities:

- Law of 5 April 1993 on the Financial Sector as amended by the law of 23 July 2015;
- CRD V EU Directive 2019/878 of 20 May 2019 amending Directive 2013/36/EU;
- EU Regulation N°575/2013 on disclosure requirements (June 26, 2013); Circular CSSF 12/552, Central administration, internal governance and risk management;
- Circular CSSF 23/841 adopting the ESMA Guidelines on remuneration policies and practices (MiFID);
- Circular CSSF 21/773 on the management of climate-related and environmental risks;
- Commission Implementing Regulation (EU) 2021/637;
- Circular CSSF 22/797 on the application of the Guidelines of the European Banking Authority on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) 2) (repeal of Circulars CSSF 17/658 and 11/505);
- Circular CSSF 15/622 on higher ratio notification procedure applicable to remuneration policy according to Article 94(1)(g)(ii) of Directive 2013/36/EU (“CRD IV”) following its transposition into Luxembourg law via Article 19(7°)(g) of the law of 23 July 2015 (the “Law”);
- Commission Delegated Regulation EU 2021/923 on the identification of categories of staff whose professional activities have a material impact on an institution’s risk profile (March 25, 2021);

- Circular CSSF 14/594 relating to the transposition of the EBA guidelines on the applicable national discount rate for variable remuneration (October 30, 2014);
- MIFID II Directive 2014/65/EU on Markets in Financial Instruments (MiFID II);
- EU Regulation n. 2019/2088, regarding appropriate information on how such policy is consistent with the integration of sustainability risks;
- The Treaty on the Functioning of the European Union (TFEU) regarding the gender neutrality;

2. RISK ANALYSIS AND DEFINITION OF THE IDENTIFIED STAFF

2.1 APPROACH

In order to establish the institution's risk profile and, ultimately, to determine its Identified Staff (hereafter "IS"), AL performed a review of its activities and analysed a certain number of elements related to the entity's size, internal organization, risk profile, nature, scope and complexity of activities, etc.

This risk analysis has been carried out by the Bank's Senior Management, with the support of the Bank's control functions, in accordance with the regulatory requirements. This analysis has also been reviewed by the Nomination and Remuneration Committee ("CNR").

More precisely, the list of IS has been determined according to the analysis of the following dimensions:

- AL's profile (structure, organization, activities)
- Risks related to AL's activities and related safeguards
 - Staff members' profiles (based on qualitative and quantitative criteria as defined by Articles 5 and 6 of the Commission Delegated Regulation EU 2021/923 and Article 92(3) of DIR 201336EU).

2.2 ANDBANK LUXEMBOURG'S ORGANIZATION AND ACTIVITIES

AL offers mainly private banking and asset management services.

Private banking is the group's core business and where it develops the broad of its business activity. In this respect, the bank's governance shall ensure that the bank has sound arrangements to comply with all applicable regulations in general and especially with the more specific regulations for private wealth management, such as in particular anti-money laundering and anti-terrorist financing as well as MiFID rules. Likewise, compliance with the high standards of quality in private wealth management services defined by ICMA shall be ensured.

In its private banking relationship with customers, Andbank Luxembourg provides discretionary portfolio management, investment advice and also simple transmission and reception of orders/execution of order services. Additionally, it also carries out its own asset and liability management and provides custody services. The bank will pursue that all these activities are properly organised and formally separated, if necessary, to provide the best services to customers and avoid any potential conflict of interest.

The Bank is currently organized as follows:

The bank has set up an internal governance structure based on the “three-lines-of-defence” model.

The **first “line-of-defence”** is the appropriate organisation of the business units’ activities. Andbank Luxembourg organisation ensures that it has in place effective processes to identify, measure, assess, monitor, mitigate and report on the risks assumed by Andbank Luxembourg.

Andbank Luxembourg has also developed a thorough Internal Control framework, widely known as a **second “line-of-defence”**, in order to ensure effective and efficient operations, adequate control of risks (including sustainability risks), prudent conduct of business, reliability of financial information and compliance with laws and regulations.

There is also a proper segregation of duties between the Business and the Risk Management departments, with separate lines of reporting and accountability.

Finally, the Internal Audit function, which provides an independent review and a critical valuation of the previous two lines, will be the **third “line-of-defence”**.

In assessing the effectiveness of the Internal Control within Andbank Luxembourg, the Board of Directors shall be able to rely on the work of the internal control functions, namely Risk Management, Compliance and Internal Audit, which will also be coordinated by the Authorised Manager responsible for Internal Control.

It is also worth mentioning that the Andbank group’s control framework has to comply with the specific regulatory requirements of each jurisdiction. In this respect, Andbank Luxembourg shall comply with the CSSF rules, which require institutions to have a robust central administration in Luxembourg. This comprises the management, execution, and control functions. These functions should enable the institution to manage and control all its activities.

2.3 RISKS RELATED TO THE BANK’S ACTIVITIES AND SAFEGUARDS

Andbank aims to maintain its current strong levels of solvency and prudent approach to risk. Consequently, the group wants to align the risks incurred with the long-term strategy and objectives of the bank. In order to achieve these aims the group is promoting an internal risk and control culture and has developed prudent risk policies.

Andbank also acknowledges that risk management is not exclusive of the risk specialists or control functions. Business units, under the oversight of the management structure, are also responsible for managing risks on a daily basis and should take into account the group's risks tolerance defined within its policies, procedures and controls.

The risk management set up should enable the bank to have enough and quality information to make sound risk decisions. Risks must be assessed both individually and on an aggregate or portfolio basis. In order to avoid unexpected losses, the bank will perform stress test scenarios to measure potential risk exposures in unlikely but possible future developments.

Andbank Luxembourg activities are subject to the Risk Policy approved by the group and subsequently by the Specialized Risk Committee and the Board. Risk exposures and their performance must be elevated and reported to the Board and the global function on a regular basis and at least quarterly.

Finally, "In accordance with article 5 of the Sustainable Finance Disclosure Regulation EU 2019/2088 (SFDR), Andbank's Remuneration Policy promotes sound and effective risk management with respect to sustainability risks, ensuring that the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks. The current exposure to those risks has been assessed as not material and are deemed not to have any impact on the financial return of the investment. As such, there are no impact on the Remuneration Policy.

However, Andbank Luxembourg will continue to monitor sustainability risks and if its position should change, it will review and plan to implement necessary changes to its Remuneration Policy.

Moreover, in accordance with Circular CSSF 21/773 point 34, the bank performed a Climate-related and Environmental risks("CR&E") identification and materiality assessment. At this stage, and considering its business model, operating environment, and the limited impact of the variable remuneration of the Identified Staff on the risk profile of the company, the Bank has not implemented specific CR&E achievement and consequently do not consider implementing a variable remuneration linked to the achievement of some ESG objectives."

2.4 IDENTIFIED STAFF

2.4.1 Approach

The Bank performs periodically a detailed assessment to identify its members of staff whose professional activities have a material impact on the Bank's risk profile, referred to as the "Identified Staff".

This assessment of the Identified Staff is performed by the HR department, in collaboration with Risk Management and Compliance departments, with the oversight of Senior Management and the Remuneration and Nomination Committee.

The Board of Directors has the ultimate responsibility for the identification process.

The Board of Directors in its supervisory function should:

- a. approve the identification process as part of the Remuneration Policy;
- b. be involved in the design of the assessment;
- c. ensure that the assessment for the identification of staff is properly made in accordance with Directive EU 2019/878, Commission Delegated Regulation (EU) No 2021/923 and these guidelines;
- d. oversee the identification process on an ongoing basis;
- e. approve any material exemptions from or changes to the adopted policy and carefully consider and monitor their effect;
- f. approve or oversee any exclusion of employees from the list of Identified Staff, if after analyse, it appears that the employee meets a criteria which includes him/her in the list, but that (s)he has no material impact on the institution's risk profile.

2.4.2 Identification process

The Identified Staff employees are identified following the criteria of:

Regulation (EU) 2021/923 in article 5 (qualitative criteria)

Regulation (EU) 2021/923 in article 6 (quantitative criteria)

Article 92(3), points (a), (b) and (c) of Directive 2013/36 EU (qualitative criteria)

The assessment is done at least once a year regarding the quantitative criteria, by comparing the total annual remuneration of the preceding year. For the qualitative criteria, the assessment is done quarterly if any new employee or current employee meets the qualitative criteria.

2.4.3 Obligation of Identified Staff

The new Identified Staff employee will sign a document refraining from concluding personal hedging strategies or insurances for the purpose of undermining the risk alignment.

Moreover, the new Identified Staff employee will also sign the Remuneration Policy in place to confirm that (s)he is informed about all the requirements related to this status (remuneration, assessment, objectives setting...).

2.5 RELEVANT PERSONS

In addition, as per Circular CSSF 23/841 transposing the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID), the Bank has identified the list of the so-called Relevant Persons, i.e. *“persons who can have a significant influence on the service provided or corporate behaviour of the firm, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients. This includes persons who oversee the sales force (such as line managers) who may be incentivised to pressurise sales staff, or financial analysts whose literature may be used by sales staff to induce clients to make investment decisions. Persons involved in complaints handling, claims processing, client retention and in product design and development are other examples of ‘relevant persons’. Relevant persons also include tied agents of the firm”*.

It is important to add that the Bank has adopted and maintains measures enabling to effectively identify where the Relevant Persons might fail to act in the best interests of their client and to take remedial action. In addition, organisational measures adopted in the context of the launch of new products or services appropriately take into account the remuneration policies and practices and the risks that these products or services may pose in terms of conduct of business and conflicts of interests.

Finally, when it comes down to the performance assessment model of the Relevant Persons, AL takes great care in defining an appropriate balance between the weighting of pure quantitative criteria (such as the volumes sold of a specific product, the number of transactions, the AuM's intake, etc.) and that of qualitative criteria (such as the review of the suitability of instruments, the compliance with internal procedures or the level of client satisfaction), in order to ensure that the performance assessment model incites in no way Relevant Persons to act against the best interests of their clients.

The table below provides information on the current list of Relevant Persons:

Persons who can have a material impact on the service provided and/or corporate behaviour of the Bank	Private Banking Department / Investment Desk
Client-facing / front office staff	Private Banking Department / Investment Desk
Other staff indirectly involved in the provision of investment and / or ancillary services	Private Banking Department / Investment Desk

2.6 RESORT TO THE PROPORTIONALITY PRINCIPLE “AMONG INSTITUTIONS”

Andbank Luxembourg resorts to the proportionality principle “among institutions”.

This decision is motivated by the analysis of the EBA Guidelines 2021/04 Part 4 (articles 85 to 88) that is updated on an annual basis, based on the review and analysis from the control functions. The results of the proportionality analyses is reported to the Nomination and Remuneration Committee and to the Board of Directors.

In the context of EBA Guidelines on sound remuneration policies and CSSF Circular 22/797, AL neutralizes the following requirements:

- Requirement to pay out a part of the variable remuneration in instruments and, de facto, the related instrument retention obligations.
- Requirement to pay out a part of the variable remuneration through a deferral scheme.

3. REMUNERATION STRUCTURE AND BONUS PAY-OUT MODALITIES

3.1 STRUCTURE OF THE REMUNERATION PACKAGES

The Bank has structured its remuneration packages around a fixed component and an eventual variable component.

The fixed remuneration, which includes the annual base salary and the fringe benefits, is determined on the basis of the group (A to D) in which the function of the employees is included (for employees under Collective Bargaining agreement).

A file including all the functions existing in the Bank is used to determine in which group the function is included and to set the minimum salary of the employee. This job classification is based on the same criteria for men, women and staff of diverse genders:

- The knowledge (the academic background, the relevant professional experience as well as the technical capabilities, including the linguistic competences);
- The complexity of the function;
- The impact of the function;
- The human relations implied by the function;
- The team management, coordination and expertise (the hierarchical level of staff and if staff have managerial responsibilities)

Additional criteria can be considered to determine the remuneration, such as local market conditions.

- The **fixed remuneration** package is composed as follows:
 - Annual base salary is paid monthly in 13 instalments to all employees (can be paid in 12 instalments for employees out of the Collective Bargaining Agreement, after approval of Authorised Management).
 - Other elements such as fidelity premium for employees under Collective Bargaining Agreement.
 - Fringe benefits depending on the status of the employees:
 - Employees under a fixed-term contract will only have lunch vouchers.
 - Employees under a permanent contract will have the following fringe benefits:
 - Lunch vouchers;
 - Pension scheme in the terms of the contract signed on 1 January 2010 and its addendums with “Axa Assurances Vie Luxembourg”; this pension scheme is aligned with the financial strategy, values of the Bank and the long-term interests of the Entity.
 - Complementary health insurance established by the Bank based on the terms of the contract signed on 9 November 2012 with “DKV Luxembourg”;
 - Life and accidents insurance.

It is also to be noted that the Bank may offer additional fringe benefits to some employees depending on their category:

- Senior Management, Senior Private Bankers and Heads of Departments may be offered parking place and a company car. The Bank keeps a reserve to cancel the offered parking spot and company car in case of justified situations.
- Some employees falling under the conditions of the inbound regime (LIR 115 no13b) can benefit from tax exemptions (housing allowance, impatriation premium, scholarship costs).
- The rest of the employees may be offered a parking place. Parking places will be offered in accordance with the Internal Rules Policy in place from time to time. The Bank keeps a reserve to cancel the offered parking spot.

These benefits will be offered depending on the category of the employees and their placement will be decided by the Executive Management depending on the needs from time to time.

- The **variable remuneration**, which is determined on performance at individual, department and Group levels through both qualitative and quantitative criteria at individual level, enabling the

alignment of the employees' interests with the Bank's. The allocation of variable compensation components will also take into account all types of current and future risks.

The total compensation linked to severances or redemption of previous employment contracts must be in line with the long-term interests of the Bank.

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, in accordance with Article 38-6 f) of the Luxembourg Law of 23 July 2015 transposing CRD IV (Directive 2013/36/UE).

3.2 VARIABLE REMUNERATION PRINCIPLES AND UPPER LIMITS

Principle

The variable or performance-based remuneration is designed to motivate and reward a sustainable and risk adjusted performance (e.g. high performers who strengthen long-term customer relationships, and generate income and shareholder value). Also, performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk taking.

The total volume of variable remuneration will not limit the capacity of Andbank to reinforce its financial base.

Variable remuneration awards consider both a group component and an individual component. This seeks to reward the contribution of all employees to the financial results of the Bank and the achievements in the implementation of its strategy. Not only is financial success taken into account in the process, but also the conduct towards staff members and clients as part of carrying out business activities.

Both financial and non-financial factors shall be taken into consideration when determining the individual's variable remuneration, i.e. compliance with the Group's core values, internal guidelines and procedures, including customer and investor related guidelines. A discretionary assessment is always made to ensure that other factors – including factors which are not directly measurable – are considered.

The performance is assessed in context of divisional financial and non-financial (quantitative and qualitative) targets. The financial targets are subject to appropriate risk adjustment. For the infrastructure functions, the performance assessment is based on the achievement of cost and control targets. At the level of the individual, managers must fully appreciate both the absolute and relative risk-taking activities of individuals to ensure that variable remuneration allocations are balanced and risk-taking is not inappropriately incentivized. The factors and metrics to be considered include, but are not limited to, divisional risk-adjusted financial and non-financial performance, culture and behavioural considerations, disciplinary sanctions, and individual performance. Managers of Material Risk Takers must document the

factors and risk metrics considered when making Individual variable compensation decisions and demonstrate how these factors influenced the Individual variable compensation decision.

Moreover, the assessment of individual performance is taking into consideration both qualitative and quantitative criteria, depending on the job position.

The discretionary bonus is not a contractual obligation and Andbank reserves the right to withhold incentives.

Variable remuneration will not be paid out in instruments or via methods whose aim is to circumvent the applicable regulatory requirements and restrictions.

The Human Resources function directs the entire remuneration process, engaging with the governing bodies, control functions and other teams responsible for verifying the Banks's earnings and financial data.

The Compliance department carries out an annual assessment of the Remuneration Policy and its compliance with the regulatory framework. Risk Management function ascertains whether the incentives provided by the remuneration system take adequate account of the Bank's risks, capital, and liquidity situation, liaising with the Nomination and Remuneration Committee as appropriate. Both functions review the identification of Identified Staff and the metrics adopted and will be involved in the review and updates of the remuneration systems and policy to ensure these are in line with the regulations in force. Compliance and Risk Management, in consultation with other departments as appropriate, will check whether any compliance breaches have been committed and supply such information to the relevant line manager and to the human resources functions so as to support the annual performance assessment and the decision on the variable remuneration component.

Considerations for specific populations

- Non-Executive Directors

No variable remuneration is granted to non-Executive Directors. The fixed remuneration granted to Non-Executive Directors for the exercise of their mandates is decided by Board of Directors and the Ordinary General Meeting of the Bank.

- Authorised Management

Authorised Management has both fixed and variable remuneration, based on the role in the organization. The fixed and variable remuneration granted to Executive Directors for the exercise of their mandates is proposed by the Nomination and Remuneration Committee and decided and approved by Board of Directors.

- Control Functions

The balance of fixed and variable remuneration of staff members in control function is weighted in favour of fixed remuneration. The variable and fixed remuneration granted to Control functions is proposed by the Nomination and Remuneration Committee and approved by the Board of Directors.

The remuneration of the control functions will never be linked to the performance of the business areas they control, and to ensure that Internal Control Functions holders are remunerated independently of the business they oversee, Human Resources perform an annual control regarding the assigned objectives. Variable compensation to control functions will be paid out upon achievement of the objectives linked to their functions.

- Identified Staff:

The variable remuneration granted to the Identified Staff is subject to the criteria and restrictions set out in this Policy. The variable remuneration granted to Identified Staff is proposed by the Nomination and Remuneration Committee and approved by the Board of Directors.

- Relevant Person

The variable remuneration granted to the Relevant Persons is subject to the criteria and restrictions set out in this Policy.

Upper limits of variable remuneration

It is also to be noted that, as a general principle, and as per the CRD V requirements, the Bank does not pay any variable component exceeding 100% of the fixed component to any of its employee. On an exceptional basis, AL may apply a higher maximum level of the ratio between the fixed and variable components which would in no case exceed 200% of the fixed component for the identified staff as per the CRD V requirements. In this case, a detailed recommendation describing the reasons for, and the scope of, the approval sought (incl. the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base) will be submitted by the Board of Directors to the Bank's shareholders in general meeting. Copies of both the recommendation of the Board of Directors to the shareholders and the shareholders' decision will be provided to the CSSF.

Regarding the proportion of the variable remuneration, the following guidelines apply to the Bank's Identified Staff:

	Maximum Variable remuneration in % of the annual fixed remuneration
Non-Executive Board Members	0%
Authorised Management	100%

Control Functions	100%
Other Identified Staff	100%

In accordance with CSSF circular 15/622, the CSSF must be informed on an annual basis of any approval by Andbank's shareholders of a higher maximum level of the ratio between the fixed and variable components of remuneration exceeding 100%. Andbank Luxembourg will not exceed 100% bonus for any of its employees.

3.3 DEFERRAL AND INSTRUMENT-LINKED PAY OUT PROVISIONS

As described in section 2.6, the Bank resorts to the principle of proportionality amongst institutions and neutralizes the following requirements:

- Requirement to pay out a part of the variable remuneration in instruments and, de facto, the related instrument retention obligations;
- Requirement to pay out a part of the variable remuneration through a deferral scheme.

As a consequence, malus arrangements do not apply.

3.4 THE EX-ANTE RISK ADJUSTMENT IN THE AWARD PROCESS

According to the EBA Guidelines (EBA/GL/2021/04), Andbank determine the variable remuneration to be awarded based on an assessment of performance and risks taken. The adjustment for risks before the award is made ('ex ante risk adjustment') is based on risk indicators determined by the Risk Department (in appendix 3) and ensure that the variable remuneration awarded is fully aligned with the risks taken.

Adjustments are considered when a breach on the risk appetite framework is produced due to decisions of a risk taker individually or as a member of a committee.

Adjustments have an individual component of each identified staff (i.e. correction to the authorized management is not accumulative for areas under their responsibility).

3.5 SPECIFIC PAY OUT PROVISIONS

- **Clawback**

In certain circumstances as follows, the Board of Directors can decide that an employee will pay back the variable remuneration received, in case of:

- a. established fraud or misleading information;
- b. misbehaviour or serious error, such as breach of Andbank's policies;

- c. severe or material re-opened internal audits points;
- d. regulatory sanctions where the conduct of the employee contributed to the sanction;
- e. severe operational errors;
- f. breach with employment contract terms, internal rules and telework Policy.

Given the nature of Andbank Luxembourg business, applied pay-out structures, the period for applying clawback is set in three years.

The HR Department, in collaboration with Risk Management, Compliance and Internal Audit, will proceed to an annual assessment regarding clawback that would be presented to the CNR and BoD.

- **Sign up bonus**

“Welcome bonuses” are granted in the context of recruiting of new employees will remain extraordinary and can be offered only during the first year of employment.

- **Retention bonus**

According to EBA/GL/2021/04 article 8.4, employees might be awarded with a retention bonus, subject to a permanence and a performance condition, as detailed below:

- a. Legitimacy**

The Bank must specify the legitimate interest in awarding retention (restructurings, in wind-down, after a change of control or to ensure the finalisation of major projects...). The Bank will document the event or justification that made it necessary to award a retention bonus and the time period, including the start and the end date, for which the reason is assumed to exist.

- b. Performance**

The performance conditions must differ from the performance conditions applied to other parts of the variable remuneration and must include a retention condition. Retention bonuses should not lead to a situation where the total variable remuneration, consisting of performance-related variable remuneration and retention bonus, of the staff member is no longer linked to the performance of the individual, the business unit concerned and the overall results of the institution as required under Articles 92(2)(g)(ii) and 94(1)(a).

- c. Permanence**

The Bank must specify a retention period and a date or event after which it determines whether the retention and performance conditions have been met.

- d. Calculation**

Retention bonuses will always be considered as variable remuneration for the purposes of calculating the upper limits of variable remuneration described in section 4.2 of this Policy.

The retention bonus can be split into annual amounts for each year of the retention period calculated on a linear pro rata basis or the full amount of the retention bonus can be considered in the year when the retention condition is met.

•**Guaranteed bonus**

Guaranteed bonuses are not allowed.

•**Severance payments**

Severance payments must reflect performance achieved over time and must not reward failure or misconduct. Severance pay will not be awarded where there is an obvious failure which allows for the immediate cancellation of the contract or the dismissal of the employee, or when there is a voluntary resignation.

Severance payments will be paid in the event the management of the Bank considers that the risk of going in front of a court proceeding is high and will not offer severance payments that enter in conflict with the Luxembourgish Labour Law.

Severance payments for the identified staff are payable in accordance with relevant local legislation and applicable collective agreements. The overall policy and agreements on severance pay are determined by HR and relevant control functions (Compliance and Risk Management). Severance pay will constitute an appropriate compensation for early termination by the Group, will be decided upon consideration of the individual's responsibility and decision making powers and it will be taken into account that it must not constitute a reward for failure. Normally, severance pay is linked to seniority, as employees will earn entitlement to severance pay throughout their years of service. Most employees are solely entitled to severance pay pursuant to legislation or the applicable Collective Bargaining Agreement. The amount of severance payments will be calculated taking into account EBA Guidelines.

Severance payments for the identified staff will be first assessed by the Risk Management and Compliance, and then authorized by the Board of Directors upon assessment of the Nomination and Remuneration Committee.

For severance payments granted, documentary evidence will be retained on the reasons for the severance payment, the criteria used to determine the amount and confirmation that the severance is linked to the performance achieved over time and that it does not reward failure or misconduct.

4. PERFORMANCE ASSESSMENT

The decision of providing a variable performance-based remuneration to any employee of AL will be based on the performance assessment results. The assessment of performance will be done on a yearly basis, taking into consideration at least one multiyear objective for Identified Staff only, and the Bank will consider the following three levels of objectives criteria:

- 4.1) Company
- 4.2) Department
- 4.3) Individual

Within these levels, the individual objectives must be a combination of both qualitative (at least 2, for all categories of employees) and quantitative elements relevant to the role.

4.2 Department performance criteria

Andbank Luxembourg will also assess the milestones achieved of the objectives related to each department, which shall be defined by avoiding inappropriate incentives.

4.3 Individual performance criteria

At the beginning of the year, all individuals will agree on the performance criteria and objectives with their line managers for the year. The objectives must reflect the business strategy and risk profile of Andbank.

The assessment of the Identified Staff performance shall be effected over a multi-year framework in order to ensure that the assessment is made in view of the long term performance of the individual and that the payment is made over the business cycle of the undertaking.

Moreover, for staff engaged in credit granting, administration and monitoring, Andbank ensures that their objectives are not linked to the credit activity, according to Circular CSSF 22/824.

Where it is appropriate, poor performance in the non-financial variables overrides good performance in terms of profit generation, i.e in the case of unethical or non-compliant behaviour, the individual performance will be impacted and the variable remuneration will not be allocated (i.e 3.4 Specific pay out provisions - Malus clause – ex post risk adjustment mechanism).

All the aspects related to the evaluation of the employees of the Bank are detailed in the Evaluation Guide and the Evaluation Form attached in Appendix 1 and 2 to the present policy. This Evaluation Guide and Evaluation Form will be available to all the employees through the internal applications of the Entity (i.e. Gestor Documental).

5. GOVERNANCE

5.1 BOARD OF DIRECTORS

The Board of Directors is responsible for the design of the Policy principles and for the monitoring of the Policy's implementation, maintenance and review.

The Board of Directors also ensures to take into account all the adequate inputs provided by all competent control functions (i.e. risk management, compliance, HR, etc.).

In addition, the Board of Directors is assisted in its tasks by the Nomination & Remuneration Committee, set up as a specialized Committee of the Board.

Finally, the Board of Directors ensures that the implementation of the Policy is reviewed on an annual basis at a minimum. Such central and independent reviews will assess whether the remuneration system (i) operates as intended and (ii) is compliant with the regulatory requirements. The independent internal audit review will be conducted by Internal Audit or an external audit firm.

5.2 NOMINATION & REMUNERATION COMMITTEE

The role of the Nomination & Remuneration Committee, as a specialized committee of the Board, is to assist and advise the Board in all analyses and decisions related to nomination and remuneration that have an impact on risk and risk management. The Nomination & Remuneration Committee will also oversee the total remuneration of staff responsible for control functions. The Committee will moreover review the appointment of external remuneration consultants that the supervisory function may decide to engage for advice or support.

The Nomination & Remuneration Committee is constituted in a way that enables it to exercise competent and independent judgment on the remuneration policies and practices and the incentives created for managing risks.

The Nomination & Remuneration Committee will be formed by at least three members of the Board of Directors without executive functions within the Bank.

Where there are not a sufficient number of members, the Bank should implement other measures within the remuneration policy to limit conflicts of interest in decisions on remuneration basis. The secretary of the Nomination & Remuneration committee is the Head of the Human Resources Department.

The Remuneration Committee is held on demand and at least annually.

5.3 EXECUTIVE MANAGEMENT

Notwithstanding the fact that the overall responsibility for the Policy remains in the hands of the Board of Directors, it is important to note the active role of the Authorised Management which ensures the operational implementation of the Policy and takes appropriate measures to ensure that it is applied properly.

5.4 CONTROL FUNCTIONS

As mentioned earlier, control functions (Risk Management, Compliance and Internal Audit) are closely associated and responsible of the design, draft, update and follow up of the Policy. Risk and Compliance functions should provide effective input in accordance with their roles into the setting of bonus pools, performance criteria and remuneration awards where those functions have concerns regarding the impact on staff behaviour and the riskiness of the business undertaken.

Risk Management role

The risk management function should assist in and inform on the definition of suitable risk-adjusted performance measures (including ex post adjustments), as well as in assessing how the variable remuneration structure affects the risk profile and culture of the institution. The risk management function should validate and assess risk adjustment data as well as be invited to attend the meetings of the remuneration committee on this matter.

Moreover, the risk committee should work closely with the remuneration committee and ensure that the remuneration policy is consistent with and promotes sound and effective risk management.

Compliance role

The compliance function should analyse how the remuneration policy affects the institution's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the management body, both in its management and supervisory functions. The findings of the compliance function should be taken into account by the supervisory function during the approval, review procedures and oversight of the remuneration policy.

Internal Audit role

The internal audit function should carry out an independent review of the design, implementation and effects of the institution's remuneration policies on its risk profile and the way these effects are managed

Staff members are not allowed to use personal hedging or insurance strategies involving the variable component of their remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with the company's risk. The control functions will carry out annual checks on the declaration of identified staff not to use personal hedging or insurance strategies. Remuneration cannot under any circumstances be paid in forms, instruments or means that seek to avoid the regulatory provisions.

Human Resources will be responsible upon request of providing to the other control functions accurate data in order to ensure the correct implementation of this policy.

6. DISCLOSURE

6.1 INTERNAL DISCLOSURE

The general principles of the Remuneration Policy are made available to all employees. This Policy is available in the application “Gestor Documental” on the intranet.

6.2 EXTERNAL DISCLOSURE

As a non-listed small and non-complex institution, Andbank Luxembourg is not subject to the requirements of Art. 450 CRR II and is thus exempt from disclosing information on its Remuneration Policy in its CRR disclosure report in accordance with Art. 450 CRR II. Art. 4 para. 1 no. 145.

An annual analysis will be done to determine if Andbank Luxembourg is still considered as a small and non-complex institution.

7. APPENDICES

1. Evaluation Guide
2. Evaluation Form
3. Risk adjustment indicators

8. TRACK VERSION

Version	Approval Date	Responsible Areas	Approval
1.0	13/11/2013	Human Resources	Board of Directors
2.0	26/03/2014	Human Resources Compliance Legal	Board of Directors
3.0	09/12/2014	Human Resources Compliance Legal	Board of Directors
4.0	10/11/2015	Human Resources Compliance	Board of Directors
5.0	27/04/2017	Human Resources Compliance	Board of Directors
6.0	26/10/2018	Human Resources Compliance Risk Management	Board of Directors
7.0	26/09/2019	Human Resources Compliance	Board of Directors

		Risk Management	
8.0	29/06/2020	Human Resources Compliance Risk Management	Board of Directors
9.0	11/12/2020	Human Resources Compliance Risk Management	Board of Directors
10.0	18/03/2021	Human Resources Compliance Risk Management	Board of Directors
11.0	16/03/2022	Human Resources Compliance Risk Management	Board of Directors
11.1	14/12/2022	Human Resources Compliance Risk Management	Board of Directors
12	22/06/2023	Human Resources Compliance Risk Management	Board of Directors
12.2	05/12/2023	Human Resources Compliance Risk Management	Board of Directors

The Evaluation Guide



Contents

- 1. Introduction 25
- 2. Evaluation process overview 25
- 3. Stakeholders 25
- 4. Preparation period 26
- 5. Setting of main tasks and objectives 26
- 6. Development and evaluation period 28
- 7. Semi-Annual appraisal 29
- 8. Annual appraisal 29
- 9. Professional development 30
- 10. Submission of appraisal documents 30

1. Introduction

The performance evaluation system is meant to encourage a positive performance and behavior mindset at Andbank. It is a way for all the employees to better understand how well they are performing in their job and must be used as a way to spot professional development opportunities as well. On top of the evaluation process, Andbank encourages every employee to have regular feedback with their team and managers.

2. Evaluation process overview

Agenda for the yearly performance evaluation

Preparation period	December-January
Previous year assessment	February-March*
Year-to-come Objective setting meetings	February-March *
Deadline for submission of completed evaluation form to Human Resources	15 March
Review of evaluation forms by Human Resources	End March
Coordination of development plans with training	End March
Optional Semi-Annual Review (optional)	Any time of the year
Previous year assessment	March N+1*
Year-to-come Objective setting meetings	March N+1*

* There must not be more than 5 days between the meeting for the assessment of the previous year performance and the setting of the objectives for the new year to come.

3. Stakeholders

Every employee at Andbank is involved in the performance evaluation process. The people involved can be categorised as following:

- Appraisers
- Appraisees
- Human Resources
- Top Management

Appraisers are the team managers leading the evaluation process for their team. They have a major role in the following tasks:

- Communicating to all employees about the performance evaluation cycle,
- Making sure the preparation requirements of the performance evaluation meeting are met,

- Setting the objectives according to Andbank’s guidelines through a meeting with each one of their appraisee,
- Taking the time to provide regular feedback to employees,
- Register any source of evidence that might be used during the evaluation meeting to support the results,
- Leading the Semi-Annual and Annual evaluation meetings.

Appraisees are the employees who are being assessed during the performance evaluation meeting. They have an active role in understanding and accepting their yearly objectives, seeking for regular feedback on their work, self-assessing their yearly performance in the evaluation form and making some suggestions on their professional development opportunities.

Human Resources will make sure the evaluation process framework is respected by:

- Validating the objectives by checking the compliance with the legal and business requirements (SMARTS objectives, Qualitative objectives / quantitative objectives, multi-year / yearly objective, etc.).
- Receiving and calibrating the year-end results of the performance evaluation with the **Top Management team** in order to ensure that the results are coherent throughout Andbank’s organization.

4. Preparation period

Checklist for appraisers:

- ✓ Inform and prepare appraisees on the upcoming appraisal in due time (min. 1 week in advance)
- ✓ Ask Human Resources for the Performance evaluation Form
- ✓ Collect evidence and feedback from other stakeholders or colleagues
- ✓ Review existing job description
- ✓ Prepare potential changes on job description
- ✓ Fill in job requirements in cell “*Main tasks and responsibilities*” of the performance evaluation form before the meeting
- ✓ Think about and draft objectives on a company, departmental and individual level
- ✓ Schedule dates for 1:1 evaluation meeting in a quiet environment
- ✓ Plan approximately 2 hours for one meeting

5. Setting of main tasks and objectives

The annual evaluation meeting is the time where the previous year evaluation cycle closes and the new one starts. During the meeting, the appraiser must prepare the appraisal form for the year to come. In

order to do so, the appraiser must first validate the cell “Main tasks and responsibilities” and then fill in the objectives for the appraisee.

5.1. MAIN TASKS AND RESPONSIBILITIES

The appraisal form starts with the review of the appraisee’s existing main tasks and responsibilities description. This assessment is optional. If the description is up to date, no action is required. If the appraisee’s main tasks and responsibilities have changed, the description must be updated, signed accordingly and provided to HR for filing.

5.2. SETTING THE OBJECTIVES

The appraiser must then set the objectives for the appraisee by filling the appropriate cells

When doing so, the appraiser must follow these steps:

1. Select the type of objective (qualitative vs quantitative)

The appraiser must make sure there is an appropriate balance between quantitative and qualitative objectives. **A minimum of 2 qualitative objectives, with a total weight of minimum 30% are mandatory for each employee and have already been selected automatically in the form.**

- **Qualitative objectives** should be relevant at an institution, business unit or individual level. *Examples of qualitative criteria are the achievement of strategic targets, customer satisfaction, adherence to risk management policy, compliance with internal and external rules, leadership, teamwork, creativity, motivation and cooperation with other business units, internal control and corporate functions, achievement of results, compliance with strategy within the risk appetite and compliance track record). Source: EBA Guidelines EBA/GL/2015/22.*
- **Quantitative objectives** should cover a period which is long enough to properly capture the risk taken by staff members, business units and the institution and should be risk adjusted and include economic efficiency measures. *Examples of performance criteria are economic profit, internal economic risk capital, net economic contribution, risk-adjusted return on capital (RAROC), financial figures which relate to the budget of functions (e.g. such as legal and human resources). Source: EBA Guidelines EBA/GL/2015/22.*

2. Formulate a “SMARTS” Objective

The evaluation form is made in such a way that will help the appraisers in setting up the SMARTS objectives. Appraisers should create objectives and be able to answer to the below questions when doing so:

- **Specific:** *Is there a description of a specific outcome / behaviour? What exactly has to be achieved? Is it clear who is involved?*
- **Measurable:** *How will I know that the change has occurred? Can these measurements be obtained?*
- **Attainable:** *Can the objective be achieved with a reasonable amount of effort and the resources we have? Do I know and understand the constraints?*
- **Relevant:** *Can the person whom the objective is set make an impact on the situation? Do they have the necessary knowledge, authority and skills? Is it relevant to the department's goals?*
- **Time-Bound:** *When will this objective be accomplished? Is there a stated deadline?*
- **Stimulating:** *Is the objective challenging and motivating?*

3. Select the objective level (Company, Departmental, Individual)

4. Write down the expected deliverable that will show if the objective has been reached or not.

5. Set up a deadline for the objective.

Objectives must be set on a yearly and/or multi-yearly basis when appropriate. For Identified Staff, at least one multiyear objective must be defined.

6. Set up a weight for the objective

The total weight for the qualitative objectives must be appropriately balanced with the quantitative ones.

6. Development and evaluation period

The development and evaluation period is the time between the annual evaluation meetings or the annual and Semi-Annual evaluation meetings.

The appraisee's performance is evaluated throughout the entire period. Evidence on completed main tasks and objectives shall be collected throughout this period by the appraiser. Sources of evidence and feedback can be stakeholders, team members and other managers involved in a project or operational assignment.

Regular feedback and consistent exchange between appraiser and appraisee are an essential part of this period and equally important as the appraisal meeting itself. The appraisal meeting should reflect what has been discussed throughout the year without any surprises for the appraisee.

7. Semi-Annual appraisal

A semi-annual performance review meeting is optional but recommended as it helps to prepare for the annual performance evaluation. No documentation is required with the exception of a change in the objectives during the year.

8. Annual appraisal

This part of the Annual Appraisal shall encompass a performance review of the past year's main tasks and responsibilities and objectives. Considering all factors, the appraiser gives a final rating on the respective objectives, supported by relevant examples in the "Assessment of objectives" section. Feedback can be collected from other stakeholders or colleagues (e.g. involved in the same project, previous reporting line, etc.). The rating and feedback should not come as surprise to the appraisee but rather as summary of previous discussions and dialogues held throughout the year.

8.1. RATING OF MAIN TASKS AND RESPONSIBILITIES

Rating definitions for the main tasks and responsibilities:

- A = Above expectations
- B = Meets requirements
- C = Does not consistently meet requirement
- D = Needs Improvement

8.2. QUALITATIVE OBJECTIVES RATING

The achievement of quantitative objectives is expressed in percentage (%), using the following indications:

Exceptional – **more than 150%**

Consistently produces exceptional results at the highest level of performance and exceeds expectations. Performance stands out amongst peers.

Overachieved – **between 101 and 150%**

Consistently meets job and objective requirements. Occasionally exceeds expectations.

Achieved – between 75 and 100%

Consistently meets job and objective requirements. Consistent with peers at the same level.

Not achieved – less than 75%

Underperforms on all or the majority of expectations. Performance is markedly behind peers.

The appraiser can justify and document the percentage given by filling the column “Appraiser assessment”.

8.3. QUANTITATIVE OBJECTIVES RATING

The achievement of quantitative objectives is expressed in percentage (%).

A. FINALE RATING

A final percentage will be automatically calculating, considering the weight of each objective and its percentage of achievement.

For employees with a contractual base bonus, this final percentage will be used to calculate the amount of variable remuneration.

9. Professional development

This section is made for employees to think together with their managers about the professional development possibilities that can make them grow in their professional career. Human Resources will then review the professional development requests in order to make sure they are aligned with Andbank’s current and future development strategy.

Any professional development request must first be approved by the appraiser and by Human Resources before any action is taken by the employee.

10. Submission of appraisal documents

The form must be submitted at least twice a year to Human Resources for validation, once after the objective setting meeting has been made, then after the annual performance evaluation meeting.

MY ANNUAL PERFORMANCE REVIEW

YEAR 2023

	Appraisee	Appraiser
Department		
Firstname		
Surname		
Identified Staff		N/A
Current position		
Seniority in the position		
Seniority in the company		

Main tasks and responsibilities

Assessment of main tasks and responsibilities

ABCD

	Objectives		Deliverables	Time limit	Weight %	Year/month/year	Assessment of objectives		ACHIEVEMENT %
							Self Assessment	Appraiser Assessment	
1	TITLE					YEAR			
	Qualitative	Company							
2	TITLE					YEAR			
	Qualitative	Company							
3	TITLE					YEAR			
	Quantitative	Individual							
4	TITLE					YEAR			
	Quantitative	Company							
5	TITLE					YEAR			
	Quantitative	Company							
6	TITLE					YEAR			
	Quantitative	Company							
					TOTAL QUANTITATIVE	#0000			
					TOTAL QUALITATIVE	#0000			
					TOTAL	#0000	Final rate		0

Comments Approver			
Comments Approver			
Date of the objectives' setting and validation:			
Approver signature	Approver signature	HR signature	
Date of end-year evaluation of objectives:			
Approver signature	Approver signature	HR signature	

		Authorised Management - Ops	Authorised Management - Control	Authorised Management - Business	Chief Risk Officer	Chief Audit Officer	Chief Compliance Officer	Chief Information Officer	Chief Financial Officer	Chief Legal Officer	Credit Officer	Head of HR	Treasury Officer
Quantitative	Capital	Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
		Recovery Alert	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
		Recovery Threshold	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
	Liquidity	Regulatory	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
		Recovery Alert	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
	Credit	Recovery Threshold	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
		Regulatory	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
	Concentration	Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
	Market	Regulatory	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
	Operational	Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
		Recovery Alert	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Strategic & Business	Recovery Threshold	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
	Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
	Recovery Alert	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Compliance	Recovery Threshold	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
	Breach on appetite limits	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	Breach on tolerance limits	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
Qualitative	Internal audit issues	Critical issues raised	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
		Overdue critical issues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
		High risk issues raised > 5	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
		Overdue high risk issues	25%	25%	25%	25%	25%	25%	25%	25%	25%		