

## Remuneration Report for the compensation year ended 2013

### General

The EFG International group has implemented the principles of the FINMA Circular 2010/1 since 2011 defining minimum standards for remuneration schemes applicable to financial institutions. These standards have been transposed into a comprehensive internal group policy and include:

- Categorization of employees and governing bodies in accordance with their risk profile; defined categories are:
  - (a) Members of the Board of Directors of EFG International and of its subsidiaries;
  - (b) CEO and other members of the Executive Committee;
  - (c) Members of the Global Business Committee (senior executives, Region Heads);
  - (d) Local Business Heads
  - (e) Client Relationship Officers;
  - (f) Employees in control functions;
  - (g) Other executives and other staff members.
- Remuneration of each category aligned with business strategy and risk profile;
- Performance-related remuneration based on a combination of the performance of the individual concerned, the performance of his or her business and, where applicable, the overall results of the organization;
- Transparent remuneration scheme for Client Relationship Officers designed in a way that any negative contributions directly result in a reduction of the variable remuneration elements;
- Share-based deferred payment mechanisms for the Executive Committee, senior and key executives as well as other identified “higher risk” job categories over a minimum period.

Compensation of the Board of Directors, the CEO and other member of the Executive Committee, as well as other senior and key executives, is set by the Board of Directors’ remuneration committee. The Committee convenes at least once a year to set compensation levels for members of the Board of Directors and members of the Executive Committee within guidelines established by the full Board of Directors.

In addition, special meetings may be convened to approve the remuneration of any new members of the Executive Committee and as required.

The current responsibilities and competencies of the remuneration committee are defined as follows:

- It ensures that management of EFG International and its subsidiaries maintain and observe an up-to-date procedure whereby the provisions of the FINMA Circular 2010/1 are implemented and observed.
- It ensures that the total annual salary increases and variable compensation amounts are within the overall amount fixed by the Board of Directors.
- It ensures that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client interests, shareholder interest or FINMA Circular 2010/1.
- It decides on the contractual arrangements of the Members and the Chairman of the Board of Directors, the CEO of EFG International and other key executives, including those of the company's subsidiaries, as appropriate.
- It approves all salary increases to non-key executives, with the exception of those resulting from existing contractual conditions, in cases where the increase places the person into the "Key Executive" group.
- It sets the rules for staff loans, in particular for those loans made against shares of EFG International and the thresholds above which any staff loan is to be submitted to the remuneration committee for approval.
- It decides on the granting of loans to members of the Board of Directors and key executives as well as to related parties.
- It decides on EFG International's contribution to pension and social institutions for the Swiss entities and their branches.
- It reviews the overall annual salary, annual increases and variable compensation as proposed by the management for all other staff of EFG International and its subsidiaries.
- It is informed of decisions regarding the waiving the cancellation of rights on EFG International's share options or restricted stock held by staff, who leave for illness or other justifiable cause made by the chairman of the committee.
- It reports annually to the Board of Directors with a formal remuneration report.

### **Fixed Compensation**

Fixed remuneration to non-key executives and other staff members is defined in line with the level of education, the degree of seniority, the level of expertise and skills required the constraints and job experience and the relevant business sector and region.

In Switzerland, and certain other countries where credible data is available, fixed remuneration is also linked to a professional annual remuneration survey conducted in the banking sector.

EFG International uses the performance reviews and market benchmarks on an individual basis to review whether a salary increase is necessary or strongly advised for talent retention.

There are countries in which legislation imposes a general minimum salary increase (e.g. legal indexation of salaries), whereby any extra increases would still then follow group wide procedures. Whilst salary surveys are used to help establish the appropriate remuneration for most members of staff they are rarely used at the highest level of management since an insufficient number of organizations with the same level of international complexity render comparison difficult.

EFG International reviews salaries on a yearly basis from manager level, through local HR, local CEO, Region CEO, and International CEO until Remuneration Committee approval. Exceptional increases may occur during the year; above a certain minima they need Remuneration Committee approval before commitment.

### **Variable Compensation**

The Remuneration Committee considers a number of quantitative and qualitative elements such as the performance, both in profitability and stock price evolution, of EFG International through the year, the relation between variable compensation and key performance indicators, and the risk profile of the institution and the individual performance of senior management members.

Variable remuneration to non-key executives and other staff members is discretionary and is determined by her or his individual performance (annual assessment), the performance of her or his business line and the performance of the organization. The relative importance of each level of the performance criteria is determined beforehand and balanced to take into account the position or responsibilities held by the staff member, defined by job category. The proportion of the variable remuneration that may be deferred will depend on the impact the job category can have on the risk profile of the organization and the responsibilities and tasks performed. The minimum deferral period for “higher risk” job categories is three years.

Determination of the overall annual variable remuneration pool for non-key executives and other staff members is a combination of bottom up (starting at single staff level following the annual individual assessment) and top down (evaluating performance of local or region business) approach. A framework is in place to ensure critical appraisal of proposals by Regional Business Heads, the CEO and the Remuneration Committee.

The fixed and variable compensation review is carried out annually. Whilst there is a strong emphasis on the Personal Contribution when determining the discretionary variable compensation for staff with a modest income, this becomes a strong emphasis on Corporate Performance, in particular profitability, with a corresponding diminution of the impact of Personal Contribution, at the senior management level.

Poor performance of the group can result in a significant reduction, or even elimination, of the discretionary variable compensation for senior executives. Staff contravening internal

regulations or regulatory or legal requirements in particular and/or significantly raising the organization's risk exposure shall have their variable compensation reduced or eliminated. Exceptional variable awards may occur during the year; above a certain minima they need Remuneration Committee approval before commitment.

#### **Variable Compensation Instruments**

Variable compensation can be awarded in the form of Cash, deferred cash or deferred equity. The group policy imposes equity deferral obligations on certain staff including Executive Committee, Global Business Committee, local Committee, local business heads and any other functions defined with a risk profile justifying deferral. The Remuneration Committee and management can also increase the deferral on all staff at their discretion.

#### **Equity Incentive Plan**

The EFG International group has adopted an equity incentive plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the "Employee Equity Incentive Plan") in order to strengthen the group's ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan has been reviewed and amended in 2011 and will cover any options granted during the financial years 2005 to 2013 and which last up to the point in time that all options and restricted stock units granted under the Employee Equity Incentive Plan have either been exercised or have expired. Some subsidiaries have implemented local variations to the Employee Equity Incentive Plan.

The CEO identifies and recommends each year all persons who are eligible to participate in the Employee Equity Incentive Plan to the Remuneration Committee, which then considers the recommendation and, at its absolute discretion, determines the level of equity incentives to be granted to each eligible person.

Until vested the options are subject to claw-back or forfeiture. Claw-back in the event of proven fraudulent behavior or if decisions or actions taken in the reference year of the variable award subsequently cause the organization to be impacted by losses. This is reflected in the employment contract or other documentation enacted with the employee at the time of the Variable Compensation award. The options are also subject to forfeiture for the resignation of the employee or termination for cause.

The Remuneration Committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the departure.

#### **Other Variable Compensation**

Sign-on payments, guaranteed compensation, severance payments or any other special remuneration packages are subject to clearly established rules (as a principle EFG does not grant sign-on or severance payments) and above a certain minima such proposals must be submitted to the Remuneration Committee for approval before commitment.

### **Members of the Board of Directors**

The compensation of those members of the Board of Directors who receive compensation is determined by the Remuneration Committee and does not include any cash bonus or other variable component. No employment contracts with Board Members have a severance, or other exceptional, payment foreseen.

Details of the compensations paid to the members of the Board of Directors in 2013 and 2012 can be found on page 8.

### **Executive Committee and the International Management Forum (Senior Managers)**

The compensation of the members of the Executive Committee and other members of senior management is determined by the Remuneration Committee. The following elements of compensation are applied at the level of the Executive Committee and senior management:

- Base salary in cash,
- Variable compensation defined annually,
- Other cash compensations (expenses allowances, etc.),
- EFG International Employee Equity Incentive Plan,
- Pension fund.

### **Executive Committee**

Variable compensation for members of the Executive Committee and senior management other than the CEO is determined entirely within the discretion of the Remuneration Committee based upon recommendations of the CEO (except in relation to his own variable compensation). The Committee has defined a minimum of 60% of the variable remuneration of the members of the Executive Committee to be taken under the form of restricted stock units and deferred over a period of a minimum three years with progressive vesting.

On an exceptional basis the Committee may approve modifications of this rule for specific individual events.

Variable Compensation is based on several factors discussed by the Remuneration Committee, including personal performance, subordinates' performance, sound management, budget control, and the realization of defined objectives, realization of last minute projects/objectives and any other contributions to the benefit of EFG International.

The variable component of pay to members of the Executive Committee amounted from 0 to 68% of the fixed component, averaging at 54%.

The average variable component to total compensation is 32%, of which average deferral for an Executive Committee member is 61%.

There is one member of the Executive Committee who benefits from the date of hiring until 31st March 2014 of automatic vesting of Stock Options or Restricted Stock awards.

Another member of the Executive Committee has the right to 12 months' notice in his employment contract in the event of a change of control until 2014, as opposed to an otherwise 6 months' notice.

EFG International paid a severance package to a former Executive Committee member in cash in September 2013. This payment was made on a performance basis for the period of 2013 for which he was present.

The Remuneration Committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the departure.

Details of the compensations paid to the members of the Executive Committee in 2013 and 2012 can be found on page 8.

### **International Management Forum**

The International Management Forum (IMF) is the senior consultative body of EFGI. The Forum includes the Executive Committee, Global Business Committee and senior management for all fields within EFG International and from all our major geographical locations, from Business development, Regional business heads, certain Local business heads and EFG International heads of control and operational functions. The IMF counted 55 managers for 2013.

Their compensation is determined as for all staff and is reviewed annually by the Remuneration Committee.

The deferral requirements imposed on IMF members vary in view of their business activity and Risk Profile. Regional and local business heads are subject to minimum 50% deferral of their Variable Compensation. The senior management in control and operational functions has a minimum deferral of 25% with an average deferral of 50%.

The variable component of pay to members of the IMF amounted from 0 to 289% of the fixed component, averaging at 70.31 %.

The average variable component to total compensation is 31.21%, of which average deferral for an IMF member is 37.5%.

### **Client Relationship Officers**

The EFG International group generally only hires experienced bankers as Client Relationship Officers with previous and business development experience in this role.

Fixed remuneration of Client Relationship Officers is defined at hiring in line with their historic remuneration package and may be reviewed from time to time to ensure correlation with market practices.

Variable compensation is contractual and formulaic (percentage of the business booked by the Client Relationship Officer). Booked business reflects the true net financial contribution of each Client Relationship Officer and does not “prepay” any future expected revenues. It includes all revenues and related costs attributable to her or him. Bona fide operating errors leading to losses are debited from the Client Relationship Officer’s booked business and impact her/his variable remuneration. Losses arising from repetitive operating errors, serious mistakes, non-respect of internal and external regulations or law directly reduce her

or his variable remuneration. Client Relationship Officers are encouraged to take a portion of their variable remuneration under the form of a deferred instrument.

#### **Employees in control functions**

The remuneration level of employees in control functions is deemed to allow employing qualified and experienced personnel. The mix of fixed and variable remuneration for control function personnel is weighted in favor of fixed remuneration; variable part is based on function-specific objectives and is not determined by the individual financial performance of the business area they monitor.

#### **External advice**

EFG International uses local market surveys where available and an independent consultant (a former member of the EFG International Executive committee) with a high level of expertise and knowledge of the business and operations including Risk, Human resources and Compliance. Other than the above mentioned no other mandates have been undertaken.

**Compensation of Board of Directors, Executive Committee and International Management Forum;  
Compensation year ended 2013.**

	Base	Variable compensation		Other	Social charges	2013
	compensation	Cash bonus (1)	Share options (2)	compensation		Total
	Cash	Cash	Share	(3)	CHF	CHF
	CHF	CHF	CHF	CHF	CHF	CHF
<b>Board of Directors</b>						
Jean Pierre Cuoni, Chairman	660,000				40,702	700,702
Emmanuel L. Bussetil						0
Erwin Richard Caduff	106,257				7,737	113,994
Michael Higgin	150,000				10,778	160,778
Spiro J. Latsis						0
Hugh Napier Matthews	335,004				19,670	354,674
Burki Niccolo	81,255				5,916	87,171
Bernd Freiherr Von Maltzan	87,504				6,371	93,875
Hans Niederer	150,000				8,234	158,234
Pericles Petalas						0
<b>Total Board of Directors</b>	<b>1,570,020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99,409</b>	<b>1,669,429</b>
<b>Executive Committee</b>						
<b>Total Executive Committee</b>	<b>6,959,836</b>	<b>1,877,800</b>	<b>1,916,700</b>	<b>146,923</b>	<b>1,098,566</b>	<b>11,999,825</b>
of which highest paid:						
John Williamson, CEO	1,603,612	440,000	660,000	99,927	206,636	3,010,175
<b>International Management Forum</b>						
<b>Total IMF</b>	<b>25,820,094</b>	<b>10,228,858</b>	<b>8,543,593</b>	<b>678,930</b>	<b>3,656,783</b>	<b>48,928,259</b>
<i>Average IMF</i>	<i>478,150</i>	<i>189,423</i>	<i>155,338</i>	<i>12,573</i>	<i>67,718</i>	<i>889,605</i>

**Notes**

- 1) The amounts represent the recorded expense for the 2013 cash bonuses.
- 2) The amount represents the value of equity incentives granted in 2014 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 55 of the consolidated financial statements.
- 3) Social charges of the Executive Committee of CHF 1,098,566 includes an amount of CHF 431,543 of pension contributions.
- 4) No compensation paid to Director.
- 5) Including employee's contributions for social charges.

Under an agreement with the former Chief Executive Officer (until 24 June 2011) the amount paid was CHF 1.5 million in 2013 as long as he does not compete in any respect with EFG International AG activities and interests.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

**STAFF COSTS**

	31 December 2013	Restated
	CHF millions	31 December 2012
		CHF millions
Wages, salaries and staff bonuses	(325.9)	(332.1)
Social security costs	(22.1)	(26.7)
Pension costs		
Defined benefits (note 45)	(9.8)	(8.8)
Other net pension costs	(6.6)	(7.8)
Employee Equity Incentive Plans (note 55)	(12.0)	(12.0)
Other	(19.8)	(19.1)
<b>Staff costs</b>	<b>(396.2)</b>	<b>(406.5)</b>

As at 31 December 2013 the number of employees of the Group was 1,989 and the average for the year was 1,992 (31 December 2012: 2,260 and average for the year 2,357).