

BANKS' COMPENSATION POLICIES UNDER THE GLOBAL PANDEMIC: EVIDENCE FROM THE EUROPEAN BANKING SECTOR

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Abstract

How to cite this paper: Sylos Labini, S., & Donofrio, F. (2021). Banks' compensation policies under the global pandemic: Evidence from the European banking sector. *Journal of Governance & Regulation*, 10(1), 74-82.
<https://doi.org/10.22495/jgrv10i1art8>

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ISSN Print: 2220-9352
ISSN Online: 2306-6784

Received: 19.12.2020
Accepted: 11.02.2021

JEL Classification: G21, G34, G38
DOI: 10.22495/jgrv10i1art8

In times of the COVID-19 pandemic, banks are in the spotlight. On the one hand, they suffer from the inevitable negative repercussions on their performances (McKinsey, 2020); on the other hand, they are called upon to support the entire economy with timely interventions (EBA, 2020a). Within this scenario, the attention to the remuneration of top managers grows even more than in the past. Banks are expected to review their top management compensations, to make them financially and ethically compatible with the general situation (Camuffo, 2009). This study aims to investigate whether the COVID-19 pandemic incentivized changes in policies adopted by banks. In detail, we verify whether European significant banks, induced by the pandemic crisis, 1) introduced changes to remuneration policies and/or 2) adopted other measures - different from the remuneration ones. To that end, we analysed all official bank press releases published on websites during the first wave of the pandemic, using content analysis methodology. The results of our analysis show a wide spread of interventions carried out by banks to face global pandemic not so much concerning remuneration policies, but rather related to other areas, such as supporting the real economy, through donations to hospitals, volunteering associations or businesses in difficulty. Our paper contributes to the existing literature by providing a truly an up-to-date overview of bank reactions in times of crisis.

Keywords: Banks, Corporate Governance, Remuneration Policy, Regulation, COVID-19 Pandemic

Authors' individual contribution: Conceptualization - S.S.L. and F.D.; Methodology - S.S.L. and F.D.; Validation - S.S.L.; Formal Analysis - F.D.; Investigation - S.S.L. and F.D.; Writing - Original Draft - S.S.L. and F.D.; Writing - Review & Editing - F.D.; Supervision - S.S.L.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

The COVID-19 pandemic is putting a strain on the financial markets and the entire banking sector. Following the financial crisis of 2008-2012, the banks strengthened their financial and equity

situation. Credit institutions made significant progress in terms of quantity and quality of assets with respect to risk weighted assets, despite the huge losses suffered following the double recession; they considerably reduced non-performing loans with drastic budget cleanings (Al-Jarrah, Al-Abdulqader, &

Hammoudeh, 2019; Caldara, Gagnon, Martínez-García, & Neely, 2020; Visco, 2018; VoxEU, 2009).

In an economic system that is still convalescing and in the presence of structural problems, the COVID-19 crisis broke down. Unlike that of 2008-2012, the current crisis has no financial origin. The current recession was triggered by the pandemic, with repercussions on both the demand-side and supply-side, and therefore of consumption, employment, and the economic system in general (McKinsey, 2020).

Banks too were inevitably exposed to the critical situation of the real economy. The collapse of banks' stock prices registered by March 2020 is proof of that. Banks' stock decline is explained by future negative results due to the economic trends and by the inevitable worsening of the companies' creditworthiness. The gravity of the situation has been faced by extraordinary interventions by central banks and governments to defuse a very dangerous short circuit, or at least reduce its severity and scope.

Nevertheless, in this phase, banks play a crucial role in maintaining and protecting the financial system. Banks are called upon to ensure the necessary liquidity to the real economy by transferring, in addition, those intangible aspects of trust essential to be able to embark on a recovery path (KPMG, 2020; Acharya & Steffen, 2020).

Central banks intervened with monetary policy measures to provide exceptional liquidity to banks with two goals: first of all, to avoid systemic liquidity crises that could overwhelm them and secondly, to convey financial flows to the real economy. The European Central Bank (ECB), in its dual role as the central bank and supervisory authority for the eurozone countries, adopted unprecedented measures, on the one hand, aimed to provide funds to banks, on the other hand, finalized to ease the capital constraints. The final scope consists of making capital requirements all the more onerous the more the companies' situation deteriorates and the credit risk increases (ECB, 2020b).

Also, governments intervened with multiple initiatives, differentiated in relation to the state of public finance: moratoriums, non-repayable disbursements, issue of public guarantees to make loans to enterprises. All initiatives are necessary to avoid economic collapse (Claeys, 2020). The European Banking Authority (EBA) provided further clarification regarding the measures to be taken to properly manage the impact of COVID-19 by the EU banking sector. In particular, the clarifications are divided into three documents. The first contains an invitation to banks to refrain from distributing dividends or repurchasing shares for the purpose of shareholders' remuneration, as well as to adjust remuneration policies with respect to the risks arising from the current economic situation (EBA, 2020b). The second document contains an invitation to the national supervisory authorities to adopt flexible policies for the communication of information relating to supervisory reports and third pillar disclosure required by Basel III (EBA, 2020c). Finally, the third document invites the national supervisory authorities to support the efforts of financial institutions in the fight against money laundering and financing of terrorism (EBA, 2020a).

Our study focuses on changes induced by the COVID-19 pandemic on bank's policies, especially remuneration ones. This paper is structured as follows. Section 2 illustrates the literature review and the hypotheses. Section 3 describes the sample and research methodology. Section 4 shows the results of the analysis. Finally, Section 5 discusses the conclusions.

2. THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Both literature and regulators attribute remuneration a crucial role in the quality of banking governance. In the banking system, where corporate governance takes on a strongly multi-stakeholder connotation (Brogi, 2009), the quality of objectives, the means to achieve them, and the controls, represent the safeguards of overall stability, together with the adequacy of the intermediaries' assets and the appropriate structure of the organizational system (European Commission, 2011; Khan, Nijhof, Diepeveen, & Melis, 2018). In banks' corporate governance, directors' and executives' remuneration policies and their correct structuring are fundamental in resolving the conflict of interest deriving from the split between ownership and control. The literature attributed to the management compensation a fundamental role in the alignment of interests between shareholders and executives (Fama & Jensen, 1983; Core, Holthausen, & Larcker, 1999; Gabaix & Landier, 2007). Remunerations linked to performance contribute to containing the so-called agency costs as they favour the monitoring on managers conveying divergent interests of these subjects - managers and ownership - towards a common objective of creating sustainable economic value over time (Wakaisuka-Isingoma, 2018). On the contrary, when the incentive system is not adequately linked to performance, not only the conditions are created for a divergence between management and ownership, but the company also risks losing the best managers since the latter will be incentivized to find an alternative location that enhances their abilities (Bonanfini, 2005; Cappiello, 2008; Rizzi, 2008). The adequate and healthy articulation of remuneration, together with the presence of independent directors, auditing firms, rating agencies, and the contestability of ownership structures determines the quality of the governance system (Mieli, 2010).

The remunerations affect the economic and financial performance of banks. While, on the one hand, the remuneration policies constitute an element capable of influencing the behaviour of managers and the decision-making process; on the other hand, they represent a management tool capable of attracting the best managerial professionals, and therefore, a competitive lever useful for generating value (Di Antonio & Previati, 2010; Khan et al., 2018; Wakaisuka-Isingoma, 2018). In this sense, remunerations are an important tool for incentivising efficiency and achieving company objectives (FSB, 2019; Iskandrani, Yaseen, & Al-Amarneh, 2018). It is essential to strike a balance between the need to adequately reward managers and avoid their migration to other intermediaries

or to other countries, and the need to minimize circumstances that generate social costs, such as the short term, excessive risk-taking, the inefficient expansion of the size of the company, the manipulation of data, the hidden payment of remuneration resulting from incorrect remuneration practices (Conti, 2009; Mieli, 2010).

The literature also agrees in assigning important ethical implications to management remunerations. In remuneration, the issue should be considered the economic value, on the one hand, and the ethical and behavioural value, on the other (Ruozi, 2010). The ethics of the remuneration plans is also linked to the absence of a significant disproportion between the different pay levels. In the financial field, the gap is still very high (Camuffo, 2009).

We suppose that these aspects of remunerations - both financial and ethical - are amplified in times of crisis because:

- banks suffer from the negative economic repercussions and therefore need more to reduce their costs;
- the bank needs to reassert and maintain strong market confidence.

And in fact, the first confirmations in this direction have already come from the crisis of 2007.

The financial crisis of 2007 put the entire banking system on the dock, highlighting the responsibilities and shortcomings of intermediaries' corporate governance systems (Abdel-Azim & Soliman, 2020; Kirkpatrick, 2009; Lemonakis, Garefalakis, Georgios, & Haritaki, 2018). In particular, significant inefficiencies and responsibilities were highlighted with regard to the "now long-standing problem of the remuneration of bank managers", a problem that represents a considerable part of the broader process of banking corporate governance (Razak & Palahuddin, 2017). The crisis highlighted that inadequately structured remuneration systems can generate a social cost deriving from the incorrect behaviour of managers which falls on the community and on other stakeholders (Conti, 2009). With regard to remuneration policies, the OECD argues how governance procedures have failed to prevent financial companies from taking excessive risks, also because remuneration systems have stimulated the search for risk in the very short term rather than the sustainable development of companies. The Financial Stability Board, as part of the Principles for Sound Compensation Practice updated in June 2019 (sixth progress report), expressly states that "compensation practices at large financial institutions are one factor among many that contributed to the financial crisis that began in 2007. High short-term profits led to generous bonus payments to employees without adequate regard to the longer-term risks they imposed on their firms. These perverse incentives amplified the excessive risk-taking that severely threatened the global financial system and left firms with fewer resources to absorb losses as risks materialised" (FSB, 2019, p. 1). Further considerations were expressed by the European Commission in the context of the latest recommendations on remuneration policies in the financial sector (Recommendation 2009/384/EC - last revision

of 31 July 2018) and in listed companies (Recommendation 2009/385/EC), as well as CEBS in the document "Guidelines on Remuneration Policies and Practices" of December 2010. Finally, the Basel Committee, in deepening the topic of managerial remuneration, recently reformulated all the principles for strengthening banking governance dating back to 2006 (BIS, 2015).

So, it is widely recognized that inadequate remuneration policies contributed to the aggravation of the international financial crisis (Commission of the European Communities, 2001; Mieli, 2010). This effect is particularly evident in remuneration practices based on the so-called incentive systems, i.e., on the presence of a considerable variable part of the remuneration, paid in the form of financial instruments or bonuses and linked to the short-term performance achieved by the company (Cappiello, 2008). This remuneration structure has pushed managers towards particularly unscrupulous behaviour, functional to the pursuit of immediate results, but evidently harmful and dangerous for the intermediary and for the entire system (Bebchuk & Fried, 2012; Shim & Lee, 2014).

The way to pay management will have to be deeply rethought in the coming years (Awad, Ferreira, Jociene, & Riedweg, 2020). For many years the issue of top management remuneration has been at the centre of scientific and academic debate (Dell'Atti, Intonti, & Iannuzzi, 2013; Hong, Li, & Minor, 2016; Rau, 2017). The exponential growth of the compensation itself, the millionaire bonuses, the stock option plans that rewarded managers of companies in crisis, the gender pay gap, have been possible in the past in a context of scarce transparency. Today the higher transparency imposed on banks' remuneration inhibits the adoption of such practices. The corporate reputation itself can be jeopardized by reckless remuneration policies (Buckley & Nixon, 2009; Fernando, Gatchev, May, & Megginson, 2012). Aware of the role of the management incentive plans in originating the financial crisis of 2008, the legislator and the various authorities introduced stricter and detailed rules to avoid abuses, limit conflicts of interest and increase transparency in the banking sector.

All over the world, many companies announced cuts, or even zeroing, of compensation, even if the modalities are very diversified and the way to report them often deceptive, and well illustrate the opacity that still permeates this world (Awad et al., 2020).

Based on these considerations, the present study aims to investigate the impact of the COVID-19 pandemic on policies adopted by banks. The hypotheses to be verified are two:

H1: Banks, induced by the pandemic crisis, introduced and announced changes to remuneration policies.

H2: Banks, induced by the pandemic crisis, adopted and announced other measures - different from the remuneration ones.

The first hypothesis (H1) concerns the introduction of changes to remuneration policies adopted by banks during the emergency period. We suppose that during the crisis banks intervened with communicating and practicing cuts to

remuneration to top managers for both financial and ethical reasons. If *H1* should be verified, we intend to investigate the scope and the extent of the announced changes in remuneration policies during the current socio-health emergency (since March 2020). Our study aims to understand the real reasons underlying any changes in remuneration policies. Did the banks change their remuneration policies in a consistent and effective way or did they just want to give the market a positive image of themselves? In other words, we want to understand whether the remuneration policies adopted by the examined banks are really aimed at preserving business continuity or they are just a way to gain investor approval. This second scenario would configure a sort of “greenwashing” applied to the corporate governance area. In this sense, banks could intervene with irrelevant measures that only serve to return a positive image of a bank which in times of crisis recognizes lower remuneration to its managers for the good of the community. So, an action that does not correspond to a real better situation in terms of economic and financial performance. This kind of test could be better deepened in the course of 2021 when the remunerations paid in 2020 will be published.

The second hypothesis (*H2*) deals with the adoption of other measures - that means different respect to the remuneration ones - by banks during the pandemic crisis. So, our study investigates too about what kind of further interventions were promoted by banks.

3. SAMPLE AND RESEARCH METHODOLOGY

The sample investigated is composed of all European significant banks as of September 1, 2020 (ECB, 2020a). Significant banks are directly supervised by European Central Bank. These banks represent the most relevant in terms of size, economic importance, cross-border activities, and direct public financial assistance. In detail, the criteria for determining whether banks are considered significant are set out in the SSM Regulation (Council Regulation (EU) No. 1024/2013) and the SSM Framework Regulation (Regulation (EU) No. 468/2014 of the European Central Bank).

Among the reasons for choosing these banks is above all the size aspect. The major intermediaries, in fact, both for systemic and reputational reasons, are certainly the first subjects called upon to implement crisis management strategies to ensure

the stability of the financial system. Secondly, it has chosen to focus on the universe of European significant banks also because the business models adopted by these banks are rather uniform.

The universe of European significant banks is made up of 114 banks. In detail, 92 credit institutions, 19 financial holding, and 3 mixed financial holdings. Looking at the geographical distribution of the banks, all countries are represented by approximately 3% to 5%. The only countries that have greater representation are France and Italy (10%), Spain (11%), and Germany (18%).

In order to examine a sample as homogeneous as possible, it was chosen to focus the analysis exclusively on credit institutions. The original sample (92 credit institutions) was cleaned of any duplications. More precisely, all the institutions belonging to the same group were eliminated and only the holding companies were considered, in order to obtain more precise and significant results.

Therefore, the final sample consists of 85 credit institutions belonging to the European significant banks. Table 1 shows the banks belonging to the sample.

In order to answer the research questions, the content analysis approach was adopted (Abbott & Mosen, 1979; Beattie & Thomson, 2007). This methodology can be used to carry out both qualitative and quantitative analysis. Content analysis is a research tool used to determine the presence of certain words, themes, or concepts within some qualitative documents. The qualitative analysis develops categories as the analysis takes place. The results are used to make inferences about messages in the text. By using content analysis, it is possible to quantify and analyze the presence, meanings, and relationships of certain words, themes, or concepts. In this paper, we used content analysis to individuate any strategies implemented by credit institutions in the time of the COVID-19 pandemic. To this end, we analyzed all the bank's official press releases published on the websites. More precisely, all the press releases published by the investigated banks starting from January 2020 have been examined. In detail, we evaluated a total of 90 press releases. The examined documents have been filtered by the following keywords “COVID”, “coronavirus”, “pandemic” and “crisis”. The analyzed time period is the year 2020 till now. This means that our analysis just concerns the effects of the first wave of the pandemic.

Table 1. Sample

No.	Banks	No.	Banks
1	AXA Bank Belgium SA	44	Confédération Nationale du Crédit Mutuel
2	Banque Degroof Petercam SA	45	Crédit Agricole S.A.
3	Belfius Banque SA	46	HSBC France
4	The Bank of New York Mellon SA	47	La Banque Postale
5	Aareal Bank AG	48	RCI Banque SA
6	Bayerische Landesbank	49	SFIL S.A.
7	COMMERZBANK Aktiengesellschaft	50	Société Générale S.A.
8	DekaBank Deutsche Girozentrale	51	Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia
9	Deutsche Apotheker- und Ärztebank eG	52	BANCA MONTE DEI PASCHI DI SIENA S.p.A.
10	Deutsche Bank AG	53	Banca Popolare di Sondrio, Società Cooperativa per Azioni
11	Deutsche Pfandbriefbank AG	54	Banco BPM S.p.A.
12	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	55	BPER Banca S.p.A.
13	Goldman Sachs Bank Europe SE	56	Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.
14	Hamburg Commercial Bank AG	57	Iccrea Banca S.p.A. - Istituto Centrale del Credito Cooperativo
15	J.P. Morgan AG	58	Intesa Sanpaolo S.p.A.
16	Landesbank Baden-Württemberg	59	Mediobanca - Banca di Credito Finanziario S.p.A.
17	Landesbank Hessen-Thüringen Girozentrale	60	UniCredit S.p.A.
18	Münchener Hypothekbank eG	61	Hellenic Bank Public Company Limited
19	Norddeutsche Landesbank -Girozentrale-	62	RCB Bank LTD
20	UBS Europe SE	63	AS "Citadele banka"
21	Volkswagen Bank GmbH	64	Akcinė bendrovė Šiaulių bankas
22	AS SEB Pank	65	Banque et Caisse d'Épargne de l'État, Luxembourg
23	Swedbank AS	66	Banque Internationale à Luxembourg S.A.
24	Bank of America Merrill Lynch International Designated Activity Company	67	RBC Investor Services Bank S.A.
25	Barclays Bank Ireland PLC	68	Bank of Valletta plc
26	Ulster Bank Ireland Designated Activity Company	69	HSBC Bank Malta p.l.c.
27	Alpha Bank AE	70	ABN AMRO Bank N.V.
28	National Bank of Greece S.A.	71	BNG Bank N.V.
29	Piraeus Bank S.A.	72	Coöperatieve Rabobank U.A.
30	ABANCA Corporación Bancaria S.A.	73	de Volksbank N.V.
31	Banco Bilbao Vizcaya Argentaria, S.A.	74	Nederlandse Waterschapsbank N.V.
32	Banco de Crédito Social Cooperativo, S.A.	75	Erste Group Bank AG
33	Banco de Sabadell, S.A.	76	Raiffeisen Bank International AG
34	Banco Santander, S.A.	77	Sberbank Europe AG
35	Bankinter, S.A.	78	Banco Comercial Português, SA
36	CaixaBank, S.A.	79	Caixa Geral de Depósitos, SA
37	Ibercaja Banco, S.A.	80	Nova Ljubljanska Banka d.d. Ljubljana
38	Kutxabank, S.A.	81	Slovenská sporiteľňa, a.s.
39	Liberbank, S.A.	82	Tatra banka, a.s.
40	Unicaja Banco, S.A.	83	Kuntarahoitus Oyj
41	BNP Paribas S.A.	84	Nordea Bank Abp
42	BPCE S.A.	85	OP Osuuskunta
43	C.R.H. - Caisse de Refinancement de l'Habitat		

Source: Authors' illustration.

4. RESULTS

To assess the financial sector's response to the COVID-19 crisis, we looked at changes in the compensation of executives and at other measures announced by European significant banks. In total, 90 press releases were examined, published on the banks' websites from the start of the pandemic until 20 October 2020. Firstly, the obtained results show that a high percentage of examined banks published any press releases concerning the strategies implemented to manage and overcome the COVID-19 crisis (60 out of 85 banks, equivalent to about 71% of the sample). Secondly, the major part of banks during the COVID-19 pandemic announced not to pay dividends. This result is certainly a consequence of the ECB recommendation of March 2020, concerning dividend distribution, that calls on financial institutions to refrain from paying dividends or repurchasing shares during the COVID-19 pandemic. The measure was introduced to help banks cope with losses and support loans in times of crisis and covered dividends for the financial years 2019 and 2020.

HI provided that banks introduced changes to remuneration policies during the emergency period. The results of the analysis do not support this hypothesis. Contrary to expectations, a high percentage of examined banks (86,66%) have not announced any changes to executive and top management remuneration policies during the investigated period. Just 8 of the 60 assessed banks announced various actions taken by executives, including salary cuts, cuts, or waivers of a bonus or agreement to postpone the planned pay increase. A second interesting result concerns the widespread practice of renouncing remuneration for charitable purposes. In some banks (13% of the sample), senior management and non-executive directors decided to forgo part of their fixed or variable compensation to support the business or to donate to pandemic funds. For example, the chairman of Banco BPM has fully waived the emolument for the current year, the directors and statutory auditors to 25% of their remuneration until the end of 2020, and the chief executive officer at the same percentage, including his annual fixed remuneration. Barclays top

executives donated a third of their fixed salary in the six months since the start of the pandemic to help kickstart a £100 million aid package. Similarly, HSBC's CEO and CFO have donated 25% of their salary to charity and waived their cash bonuses, totalling £1.4 million and £800,000 respectively. The CEO of UniCredit renounced his variable remuneration for 2020, amounting to a maximum of €2.4 million, and proposed to reduce his remuneration for 2020 by approximately 25%, equal to €300,000. Deutsche Bank's top executives have also given up on a month's fixed pay in an effort to cut costs. The senior management of 3 banks (Banco

Bilbao Vizcaya Argentaria, Banco Santander, and Intesa Sanpaolo) have announced that the variable bonuses will be affected by donations or cost cuts.

Table 2 presents the list of European significant banks that have announced a change in their remuneration policies. The first column shows the name of the bank; the second column, a description of the measure; the third column, the date of the news. Results reported in Table 1 do not include interventions aimed at limit dividend distribution, because we consider this kind of measure as a sort of "mandatory" action, as recommended by ECB.

Table 2. Announced changes in the remuneration policies

<i>Bank</i>	<i>Announcement</i>	<i>Press release date</i>
Banco Bilbao Vizcaya Argentaria, S.A.	BBVA on Monday said senior management would forego more than €50 million in bonuses for 2020 as part of the Spanish bank's efforts to mitigate the impact of the coronavirus crisis but it made no announcement on dividend policy.	30/03/2020
Banco BPM, S.p.A.	The board of directors, the board of statutory auditors, and top management have decided to waive part of their fees. In particular, the chairman renounces his emolument in full for the current year, the directors and statutory auditors to 25% of their remuneration until the end of 2020, and the CEO at the same percentage, including his fixed annual remuneration. Furthermore, top management also waives part of their remuneration. The total resulting amount will be over €1 million.	07/04/2020
Banco Santander, S.A.	Banco Sabadell said its senior management, including executive chairman Josep Oliu and chief executive officer Jaime Guardiola, will forego any bonus for 2020 as part of the bank's effort to help mitigate the impact of the coronavirus crisis.	07/04/2020
Barclays Bank Ireland, PLC	Top executives at Barclays donated a third of their fixed salary over the next six months from the beginning of the pandemic to help kickstart a £100 million aid package.	08/04/2020
Deutsche Bank, AG	Deutsche Bank's top managers will waive one month of fixed pay in an effort to cut costs as Germany's largest lender deals with the fall-out of the coronavirus crisis.	12/05/2020
HSBC France	HSBC said its CEO Noel Quinn and CFO Ewen Stevenson would donate 25% of their salary for the next 6 months to charity and forego their cash bonuses, totalling £1.4 million and £800,000, respectively.	08/04/2020
Intesa Sanpaolo, S.p.A.	The managing director and CEO will receive a bonus of €2.274 million for the 2019 financial year, due to the waiver of €1 million - an amount that will be allocated to donations in support of health initiatives related to the epidemiological emergency COVID-19 - on the bonus resulting from the application of the 2019 annual incentive system and equal to €3.274 million.	02/04/2020
UniCredit, S.p.A.	The chief executive officer renounced his variable remuneration for 2020, equal to a maximum of €2.4 million, and proposed to reduce his remuneration for 2020 by approximately 25%, equivalent to €300,000.	22/04/2020

Source: Authors' illustration.

H2 predicted banks to take additional measures - other than those regarding remuneration policies - in response to the global pandemic. Our results support this second hypothesis. A large number of examined banks took steps to counter the pandemic effects. We have grouped the measures adopted by observed banks into two categories. The first category is identified as "crisis disclosure" and the second category is named "donations". In the first category, all interventions aimed at informing the public about the implemented safety measures and at assuring customers about the usability of products and services during the emergency period are included. Instead, all charity initiatives - different from that represented by the donations of remunerations, discussed in the H1 - fall within the second category.

In detail, 67% of press releases concern the first category. During the pandemic, almost all of the examined banks (for which press releases concerning COVID-19 were available) issued news and announcements to reassure their customers. In order to manage the emergency and guarantee

the safety of their employees and customers, in addition to monitoring the decrees issued and adjusting their operations in compliance with these provisions, the banks are committed to keeping their employees constantly informed about the continuous evolution of emergency. In view of the economic impact of the COVID-19 pandemic, some banks have shown themselves to be proactive in undertaking extensive initiatives to support their customers (e.g., Belfius Bank). Among the various implemented initiatives, some banks have opted for the underwriting of an insurance policy for each financial consultant, an important injection of liquidity to support the consultants, and an increased communication and training activity (e.g., Deutsche Bank, Citadele Banka, Belfius). Among the examined banks, 2 of them announced the establishment of task forces or crisis committees to monitor the situation and coordinate all the undertaken actions (BPCE and Mediobanca). Finally, 2 of the banks of the sample state that the growing demand for digital services during the COVID-19 crisis provided

an opportunity to further enhance digital services (Belfius and AXA Bank).

In the remaining 33% of the examined press releases, banks announced their willingness to concretely support the economic-health crisis that is gripping the world. In detail, 18 banks (out of 60) announced participation in support projects to sustain the health emergency (hospitals, voluntary associations, etc.). Other credit institutions funded research projects on COVID-19 and aimed at the development of diagnostics, therapy, and treatments for the virus. Furthermore, several banks in addition to offering financial support, donated laptops and educational materials to schools, creating solutions for the sectors that have been hit hardest or simply helping the elderly with their shopping.

5. CONCLUSION

This study aims at investigating whether the COVID-19 pandemic incentivized changes in policies adopted by banks. In detail, we verify whether a sample of banks, induced by the pandemic crisis, 1) introduced changes to remuneration policies and/or 2) adopted other measures - different from the remuneration ones. The study was conducted by analysing 90 press releases of 85 European significant banks.

The results of our analysis show a wide spread of interventions carried out by banks to face global pandemic not so much concerning remuneration policies, but rather related to other areas, such as supporting the real economy, through donations to hospitals, volunteering associations or businesses in difficulty. In contrast with our first hypothesis, just a little number of banks announced various actions taken by executives, including salary cuts, cuts, or waivers of a bonus or agreement to postpone the planned pay increase. On the contrary, in line with the second hypothesis, almost all of the examined banks took additional measures - other than those regarding remuneration policies - in response to the global pandemic. The observed measures are essentially attributable to 1) interventions of "crisis

disclosure", finalized at disclosing the adopted safety measures and at reassuring customers on the continuity in ordinary operations; and 2) charity initiatives - different from that represented by the donations of remunerations, discussed in the first hypothesis.

Our analysis contributes to the existing literature providing a really up-to-date picture of bank's reactions in times of crisis. To date, banks still do not seem to attribute the right centrality to remuneration policies. In our opinion, the failure to reduce top managers' remuneration is a missed opportunity. Remunerations' cut could not only positively affect performances - through the lower incidence of costs - but also represent a positive image return.

However, there are some limitations. First of all, the circumstance that, unfortunately, the pandemic crisis is still ongoing. So, our analysis concerns just the first wave of the pandemic that occurred approximately between January and June 2020. This means that broader conclusions could only be drawn after the end of the pandemic. A second limitation concerns the current lack of data about the remuneration paid in 2020. These data will be published in the first months of 2021.

This study represents the first step for future insights. Effective data concerning remuneration paid to top managers will allow making a comparison between the period before and after the pandemic aimed to evaluate also the effectiveness of the implemented measures. To be clear, if differences between remuneration paid to managers before and after pandemic will be consistent then that means that intervention of banks is effective and really aimed at preserving business continuity. Otherwise, if differences between remuneration paid to managers before and after pandemic will be irrelevant then that could mean that intervention of banks is just apparent, only aimed at obtaining the approval of investors. Let's think of a sort of "greenwashing" applied to the corporate governance area, in which banks want to show themselves more diligent than they really are.

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