



# LOMBARD

## APPENDIX 1

### REMUNERATION POLICY FOR DIRECTORS

#### INTRODUCTION

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This Policy is drawn up in accordance with the provisions of Chapter 12 of the Capital Markets Rules of the Malta Financial Services Authority ('Capital Markets Rules') transposing the relevant provisions of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 ('Shareholder Rights Directive II'). Among other objectives, the Directive seeks to promote shareholder engagement and the adoption of long term views in the conduct of the affairs of companies.

#### REMUNERATION PRINCIPLES

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1. This Policy serves to set out the core principles underlying the Bank's policy for the remuneration of its directors in such a way as to ensure that this remuneration is transparent and reasonable and furthermore,
  - emulates the wide range of responsibilities, qualifications, experience and full commitment expected of the members of the Board of Directors of a listed company;
  - contributes to the Bank's business strategy, long term interests and sustainability;
  - reflects market realities and
  - to the extent possible, is in line with the remuneration of directors of companies of a similar size and complexity of the Bank.
2. The Bank strives to attract, retain and motivate appropriately qualified individuals of undoubted integrity at all levels of the organisation, who will ensure successful leadership and management of the Bank. It aims to remunerate fairly while aligning the interests of stakeholders as a whole with the long-term growth of the Bank. The Bank's size, internal organisation, nature, scope and complexity of the activities of the Bank are also taken into consideration.

#### APPLICABILITY

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1. This Policy shall apply to directors as defined in Chapter 12 of the Capital Markets Rules. Therefore, this includes:
  - a) Any member of the Bank's Board of Directors; and
  - b) Where they are not members of the Board of Directors, the Chief Executive Officer ('CEO') and any Deputy Chief Executive Officer/s ('Deputy CEO') who may be appointed from time to time, where applicable.
2. As at the date of entry into force of this Policy, all directors of the Bank are non-executive and are not engaged in the daily management of the Bank, with the exception of the CEO of the Bank who is an executive director.

#### REMUNERATION COMMITTEE

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1. The Board of Directors performs the functions of a Remuneration Committee on the basis that the remuneration of the Bank's directors in their capacity as Board directors for the holding of their office on the Board, is not performance-related and does not include share options, pension benefits, profit-sharing arrangements or any emolument related to the performance of the Bank. Among the obligations established in the Capital Markets Rules, the Board, where applicable, carries out the main duties of a Remuneration Committee established in the Supporting Principles enshrined in Principle 8A of the 'Code of Principles of Good Corporate Governance'.

## **APPOINTMENT OF DIRECTORS**

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1. The appointment of members of the Board of Directors and their removal as well as the duration of the Directors' tenure of office is determined in accordance with the Bank's Memorandum and Articles of Association, the Bank's Board of Directors' Charter, Company Law and other applicable laws, rules and regulations etc.
2. No contracts are drawn up with directors, other than those directors who have separate service contracts with the Bank, such as the CEO.

## **REMUNERATION – GENERAL CONSIDERATIONS**

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1. The Bank's Board of Directors is composed entirely of non-executive Directors with the exception of one executive director who also holds the office of CEO and is tasked with the Bank's day to day management, apart from his directorship. In accordance with Capital Markets Rule 12.2A, this Remuneration Policy applies to the CEO. While certain principles are applicable to all directors, a distinction is to be drawn between the remuneration payable to non-executive directors and that payable to the executive director who also holds the role of CEO.
2. This Remuneration Policy for Directors also seeks to be, as much as is reasonably possible, in line with the Remuneration Policy applicable to the employees of the Bank.
3. In terms of the Bank's Articles of Association, the maximum annual aggregate remuneration as well as any increase of such remuneration of the Directors for the holding of their office shall be established pursuant to a resolution passed at a General Meeting where notice of the proposed aggregate remuneration and any increase has been given in the notice convening the meeting.

## **FIXED REMUNERATION**

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1. The remuneration of all directors, non-executive and executive, shall consist of a fixed fee for their duties as directors.
2. Each of the directors shall receive the same amount in terms of fixed fees for their duties as directors other than as stated below:
  - The Chairman shall receive a different fixed fee commensurate with the added responsibilities of the role of chairman.
  - Directors may also receive an additional fee allowance where the director in question has an additional responsibility by way of chairmanship or membership of a Board committee.
3. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any Committee of Directors or working groups, or General Meetings of the Bank or in connection with the business of the Bank.
4. No remuneration shall be payable to any appointed alternate director unless otherwise determined by the Board.

## **VARIABLE REMUNERATION**

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1. Directors shall not be entitled to profit sharing, share options, pension benefits, variable remuneration or any other remuneration or related payments from the Bank.
2. Directors are not entitled to termination payments and other payments linked to early termination.
3. The above is without prejudice to any arrangements, such as pensions, retirement gratuities, etc. granted to executive directors on a service contract with the Bank in relation to their positions held other than as members of the Board of Directors.

## **CEO & DEPUTY CEO**

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1. Where applicable, the remuneration of the CEO and of the Deputy CEO, as employees of the Bank is independent of their office and of any remuneration received as a Director of the Bank.

2. The CEO and the Deputy CEO are appointed by indefinite contracts of employment after a period of probation, rather than on fixed term contracts and therefore, their employment is regulated by applicable laws.
3. The Board of Directors determines the remuneration of the CEO and the Deputy CEO on the basis of financial performance as well as non-financial performance such as commitment to the Bank's business strategies, policies, etc.
4. In acknowledgement of the importance of the roles of CEO and Deputy CEO, the Bank shall seek to ensure that the persons who occupy the roles possess the necessary qualities and attributes which will enable such persons to discharge the relative duties with integrity and the highest professional standards. The remuneration of the CEO and the Deputy CEO should be designed to motivate and attract qualified and experienced individuals to lead the Bank appropriately and efficiently. It should be commensurate with the roles, assigned functions and responsibilities and should also reflect local market realities, be fair, reasonable and consistent. The complexities and challenges of the banking business and highly competitive market and the qualifications, commitment, effort, expertise and experience required from the CEO and the Deputy CEO should be taken into account when determining the remuneration.
5. The contracts for the CEO and the Deputy CEO are to specify remuneration packages, none of which are to provide for profit sharing, share options, supplementary pension or other pension benefits, early retirement schemes or any termination payments.
6. The Board of Directors may consider a retirement gratuity to be paid on an ex gratia basis to the CEO on his retirement.
7. The CEO and the Deputy CEO shall be entitled to a number of benefits as would typically be available to senior executives. These shall include non-cash benefits including private health care insurance as well as death-in-service benefits and personal accident insurance cover. They shall also be entitled to the use of a company car.
8. Although annual salary increases may be awarded to the CEO and the Deputy CEO, such increases are not to be directly related to the performance or the share price of the Bank. However, a discretionary annual bonus may be payable following an assessment of their performance, as related to both financial and non-financial criteria, during the previous financial year. The link between the fixed remuneration and discretionary annual bonus must be appropriate and reasonable. Bonus payments are not to exceed 100% of the fixed component of the total remuneration.

## **SHAREHOLDERS & REMUNERATION POLICY FOR DIRECTORS**

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1. Shareholders of the Bank have a right to vote on this Policy at the Bank's General Meeting, which vote shall be binding.
2. Subject to shareholder approval, this Policy will become effective from the date of the General Meeting approving the same.
3. This Policy shall be reviewed by the Board on an annual basis and shall be put to a vote by the General Meeting at every material change and in any case at least every four years.

## **REMUNERATION REPORT**

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1. The Bank's audited financial statements shall contain a Remuneration Report to be drawn up in accordance with the requirements of Appendix 12.1 of the Capital Markets Rules and also in accordance with this Remuneration Policy.
2. The Remuneration Report shall be subject to an advisory vote at the relative General Meeting.