

Remuneration Policy

Purpose

The Board of Directors has adopted the following remuneration policy.

The policy reflects Michael Grech Financial Investment Services Ltd (“the company”) objectives for good corporate governance, customer satisfaction and loyalty, as well as sustained long-term value creation for shareholders. In addition, it ensures that:

- the Company continues to attract, develop and retain highly qualified and motivated employees in a competitive market which will diminish the risk of employee turnover.
- employees are offered a competitive remuneration package, which may include bonuses, and which is in line with the objectives of the company.
- employees feel encouraged to create sustainable results that take into consideration the right balance between customer interest, shareholder value and employee job satisfaction.

The policy focuses on ensuring sound and effective risk management through:

- a stringent governance and compliance structure for setting goals and communicating these goals to employees but without putting any fixed targets to the same employees.
- Assessing employees both on financial and non-financial goals in performance and results.
- making fixed salaries the main remuneration component.

Corporate governance

Every six months the Board of Directors will monitor and assess the compliance with the remuneration policy. The Remuneration Committee may submit any policy adjustments or amendments, if necessary, to the Board of Directors for renewed approval.

The Remuneration Committee will brief all members of the Board of Directors and prepare the Board for its dealings with any remuneration issues. The Remuneration Committee will submit adjustments in remuneration of the Executive Board members for the approval of the Board of Directors.

At the annual performance and appraisal review, the individual employees and managers are evaluated on their performance for the year. Decisions on adjustment of the employee's fixed salary are made based on outcome of this meeting.

Remuneration components

The three remuneration components are:

- fixed remuneration
- other benefits (fringe benefits and health insurance)
- performance based remuneration

The *fixed remuneration* is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions.

Performance-based remuneration

Performance-based remuneration is calculated by ensuring:

- an appropriate balance between fixed and performance-based components.
- that the fixed component represents a sufficiently higher proportion of the total remuneration.

Therefore, the company would be looking more at the following criteria as a basis when considering performance-based remuneration:

1. How efficient the sales person was in collecting all documentation required on time (Suitability/Appropriateness Tests, Suitability reports, ID cards, KYC forms, PEP forms, US Person forms, and any other supporting documentation required).
2. If the sales person had any complaints being reported on him by clients and the grievousness of that complaint. If it results that the person was negligent in the performance of his duties, from a compliance point of view, then the relative remuneration might be decreased or even completely forfeited, besides any other measures that the management might consider appropriate.
3. The efficiency with which the sales person resolved any issues with the client and the feedback that the company gets from clients on the relationship between sales person and client.
4. The amount of relevant training and/or courses that the employee would have attended over the period.
5. The performance-based component would be paid out in the form of a bonus to the sales person in arrears every six months after the evaluation has been made.



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6. Before any bonus is paid, management would need the clearance of the compliance officer to make sure that there were no issues with any of the qualitative points assessed and to ensure that the employee had operated in compliance with the relevant procedures of the company.
7. In all cases, the variable component of the remuneration paid out to the employee should never exceed 25% of the fixed wages being paid out to that same person.

Remuneration of the Board of Directors

Members of the Board of Directors receive a fixed remuneration. The basic fee of a Board member is set at a level that is on par with the rest of the market and reflects the contribution which the board member gives to the company, the extent of the responsibilities and the number of board meetings attended.

The fees of the individual Board members of the company are specified in the annual report in the financial statements.