
REMUNERATION POLICY

TERMS OF REFERENCE

VBL Plc

(C56012)

The provisions of this **Remuneration Policy Terms of Reference** VBL Plc. (C56012) (“VBL” or the “Company”) were adopted pursuant to the regulation of the Companies Act and to the M&A of the Company by resolution of the meeting of the Board of Directors held on 9 February, 2021.

The purpose of this Remuneration Policy (Policy) is to ensure that high level principles are adopted by VBL and its subsidiaries (referred to as the “VBL Group”) the governing the remuneration of its senior officials and risk takers, or any of its employees performing functions connected to the risk profile of the Company. The Company adopted this Policy to ensure that its remuneration framework does not encourage any risk taking which is inconsistent with the Company’s risk profile and policies.

This Policy outlines the minimum standards of supervision and control over the remuneration framework of the Company through the establishment of two separate groups responsible for such functions. The Company shall adhere to the general and specific principles aimed at mitigating the risks attributed to remuneration and shall be subject to the disclosure and review requirements set forth in this Policy in relation to remuneration.

1. The Scope

This Remuneration Policy applies to all levels of the Company and to all employees whose professional activities have a material impact on the risk profile of the Company. This Policy ensures that any remuneration is consistent with sound and effective risk management and does not encourage risk taking which is inconsistent with the Company’s risk profile. The Remuneration Policy shall apply without prejudice to other policies or procedures which the Company has in place and shall form part of the Company’s corporate governance framework.

This Policy has been adopted by the Board of Directors (the “Board”) after ascertaining its compliance with the laws and regulations applicable to the Company, and in accordance with the relevant regulations and recommendations of the MFSA and the Listing Rules (the “MFSA Guidelines”).

The policy and the Group’s general incentive structures reflect the Group’s objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that the Group is able to attract, develop and retain high-performing and motivated employees in a competitive international market and employees are offered a competitive and market aligned remuneration package making fixed salaries a significant remuneration component, while employees feel encouraged to create sustainable results.

2. Identified Staff

The Remuneration Policy shall apply to all Identified Staff of the Company. For the purposes of this Policy, Identified Staff shall refer to all employees of the Company whose job or function within the Company involves risk taking or otherwise has a connection with the risk profile of the Company.

This Policy identifies the following non-exhaustive list as falling under the definition of Identified Staff:

- a. Members of the Board of Directors;
- b. Individuals in senior management;
- c. Persons involved in the control function; or
- d. Any other individual whose activities may have a material impact on the risk profile of the Company.

3. Supervisory and Control Function

This Remuneration Policy requires that a control function shall be exercised on the remuneration policies and procedures of the Company through an active role in the design, on-going oversight and review of such policies and procedures. The control function is carried out by the Board, by performing internal reviews and audits, where necessary, which shall be carried out to assess the design, implementation and effect of the Company's remuneration system and policies. Such internal reviews shall be carried out regularly at least annually.

This Policy requires the Board to be responsible for the supervisory function of the proper implementation of this Policy.

The Board shall be responsible for approving, maintaining and updating the Remuneration Policy of the Company, for ensuring procedures determining remuneration are clear, transparent and well documented, and for the overseeing and the proper implementation of this Policy.

Any subsequent material exemptions or changes to the Remuneration Policy shall be subject to an approval by the Board, which shall carefully consider and monitor the effects of such changes.

The Board shall ensure that the Company's overall corporate governance principles and structures are in line with the principles laid down in this Policy. In this regard, such corporate governance principles and structures shall ensure there is a clear distinction between the operating and the control functions.

The Board shall ensure that it is made up of members having the necessary skills and meeting the required independence requirements.

This Policy requires that the Company's remuneration agreements shall be in line with the safeguards in place for the prevention of conflicts of interests with effective internal reporting systems in place. To ensure adherence to this Policy the Board shall ensure the proper and effectiveness performance of the control function and regular review of this Policy.

When agreement cannot be reached on decisions relating to remuneration or decisions to which this Policy applies, the Board may decide to refer such decisions to the shareholders of the Company. Any decision or recommendation given by the shareholders shall be consultative and not binding. Despite any possible referral to the shareholders, the actual implementation and oversight of any changes to the remuneration policies and practices of the Company shall remain at the responsibility of the Board.

Mr. Artur Haze will be the person within the Board of Directors of the Company responsible for the oversight of the Remuneration Policy.

4. Remuneration Committee

As outlined in the MFSA Guidelines, if after the assessment through a proportionality test the Company concludes that it is not significant in terms of its size that of its structures, the internal organisation, and the nature, scope and complexity of its activities, then it may apply a degree of proportionality and may be allowed to disapply certain rules and provisions from the applicable guidelines, in terms of its remuneration framework, relating to the requirement to set-up a Remuneration Committee and the requirements on the pay-out process.

The Board has reviewed the principles and concluded that based on the assessment made of the size, the internal organisation, and the nature, scope and complexity of the activities of the Company, the significance of the Company in terms of its size and that of its operations, clients, the internal organisation, and the nature, scope and complexity of the activities of the Company, this Policy does not require a separate Remuneration Committee to be set-up and the responsibilities attributed to the Remuneration Committee shall be performed by the Board.

An assessment of the size, the internal organisation, and the nature, scope and complexity of the activities of the Company shall be made from time to time to determine whether the Company is required to adhere to the requirements on the pay-out process, and whether the Company is required to set-up a Remuneration Committee.

Once it is required to be established, the Remuneration Committee shall be constituted in a way that enables it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk.

The Remuneration Committee shall be chaired by a member of the Board who does not perform any executive functions in the Company and shall be made up of members who are also members of Board who do not perform any executive functions in the Company. The members of the Remuneration Committee shall have sufficient expertise and professional experience in the field of risk management and control activities.

If established, the role of the Remuneration Committee shall be that of:

- Making recommendations to the Board regarding the remuneration of the members of the Board of Directors;
- Reviewing any external remuneration consultation;
- Supporting the Board in the overseeing of the remuneration system and operation;
- Assessing the remuneration system to ensure:
 - .1. Due consideration is given to all types of risks, liquidity and asset management;
 - .2. It is consistent with the business strategy, objectives, values and interests of the Company;
- Testing and assessing the effectiveness of this Policy vis-à-vis potential risk scenarios related to remuneration.

In the event that the Remuneration Committee is not required to be set-up, the above tasks shall be carried out by the Board.

5. Remuneration components

At least annually, during the performance the internal review and appraisal dialogues, the individual employees and managers evaluate and document performance in the past period/ year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or on annual performance-based pay are made on the basis of these dialogues and assessments.

The key remuneration components are:

- 1) fixed remuneration
- 2) short-term and long-term, where applicable, performance-based remuneration (variable pay)
- 3) other benefits in kind
- 4) severance payment, where applicable

1) The **fixed remuneration** is determined on the basis of the role and position of the individual employee, including professional experience, seniority, education, responsibility, job complexity, local market conditions, etc. Fixed salary is payable mainly in cash but can in specific cases be payable partly in shares or other instruments as may be agreed, and as allowed by relevant legislation or the Group's policies.

The performance-based remuneration motivates, rewards and drives the right behaviour and performance according to set expectations for the employee, reflecting specific requirements for performance at the Group, the Company, business unit and individual levels. Hence, all incentive programmes in the Group include performance at all three levels 1)-3) as above, where relevant. The Group's incentive structures are overall divided accordingly.

The Board of Directors has determined a maximum percentage of performance-based remuneration relative to the fixed remuneration in order to ensure an appropriate balance between fixed and variable pay. This percentage varies according to the type of position held by the employee and the business unit in which the employee is employed and local requirements. The maximum limit on variable remuneration is at 150 per cent of fixed salary. This level of variable remuneration will, in practice, apply only to a small minority of employees and be offered only to enable the Group to match market terms. Most employees covered by incentive schemes have a cap on variable pay at 50 per cent. Furthermore, certain employees and senior management are comprised by a variable pay limit of up to 50 per cent of the fixed salary.

Performance-based remuneration may be disbursed as cash bonus, shares, share-based instruments, including conditional shares and other generally approved instruments, all on the basis of applicable legislation. Where relevant and applicable, the Board of Directors has determined certain minimum thresholds according to which bonuses exceeding the thresholds shall be split into cash/shares or other adequate financial instruments.

Other benefits are awarded on the basis of individual employment contracts, requirements for efficient and productive work, and local market practice. As a main rule, the Group has set guidelines in order to align benefits/routine packages offered to employees in various employment levels within the Group. The benefit offered to certain groups of employees could be mobile telephone, internet, company car, and occasionally other benefits in kind, such as indemnification for costs related to the conduct of certain employees during the employment.

Severance payments are payable in accordance with relevant local legislation and applicable employment contracts. The overall policy and agreements on severance pay are determined by Group HR and relevant control functions. Severance pay constitutes an appropriate compensation for early termination by the Group, is decided upon consideration of the individual's responsibility and decision-making powers and it is taken into account that it must not constitute a reward for failure. Normally, severance pay is linked to seniority, as employees earn entitlement to severance pay throughout their years of service. Most employees are entitled to severance pay solely pursuant to relevant legislation. Under specific individual agreements, certain key employees may be entitled to severance pay in addition to that pursuant to legislation of up to a maximum of 12 months' salary while certain managers may be entitled to a maximum of up to 24 months' salary.

2) Performance-based remuneration

Performance-based remuneration is awarded in a manner which promotes sound risk management, includes ex-post risk adjustments and does not induce excessive risk-taking. The Company is in fast growing stage, where cash-flow remain relatively low, and dependent on one-off events. If the Company's performance-based remuneration exceeds the current cash-payment ability, the Board of Directors may determine that the performance-based pay will be split in payment in shares (or other instruments) and cash, part of which will may be deferred in accordance with the Company's policies and relevant guidelines which might be in place. Further, the default accrual period for short-term performance-based remuneration may not exceed one year. For a limited number of employees the accrual period may be two years, while long-term incentive programmes may have an accrual period of up to three years.

Further, the Group has established a governance for spot-bonus under which certain employees, not comprised by mandatory legislation stipulating otherwise, can be granted a bonus for extraordinary performance during a certain period.

Concerning all employees, disbursed as well as non-disbursed components are subject to claw-back if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.

Further, performance-based pay is awarded by ensuring an appropriate balance between fixed and performance-based components that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible.

Performance-based pay is granted to reflect the Group's strategic and financial results, the result of a specific business unit in which the employee is employed and the individual employee's performance. A discretionary assessment is always made to ensure that other factors – including factors which are not directly measurable – are considered.

Performance-based pay must be based on an assessment of the Group's results and a number of KPIs reflecting the Group's key strategic priorities. Dependant on the field of employment, the Group sets and uses an appropriate balance of absolute, relative, internal and external KPIs, balancing short-term and long-term goals.

3) Sign-on fixed pay, stay-on and guaranteed bonus, or any other fringe benefits

Sign-on fixed pay as well as stay-on and guaranteed variable pay may be granted only in exceptional cases, and will be assessed by the Group CEO and the Board of Directors. The mentioned components will be used only to attract or retain highly specialised individuals or on executive level. Such pay may not exceed one year's gross salary, benefits and fixed supplements. Sign-on fixed pay can be paid in cash or in a split between cash/shares and is, according to applicable legislation, as a main rule conditional on the employee not resigning within a given period of time after the pay.

Sign-on, stay-on or guaranteed variable pay are subject to and paid in accordance with relevant tax legislation.

6. Remuneration of the Executive Team

The remuneration of the Executive Team is regulated by the intercompany agreement in place between the Company and VBLM Ltd. It intends to ensure the Group's continued access to highly skilled management resource, ability to perform operational duties and deliver on its strategic goals, while retaining the qualified Executive Team members.

The non-executive Board members assess the performance of the Executive Team and make recommendations for the adjustments in the fixed and variable fees from time to time, to ensure that both short-term and long-term incentive programmes are aligned with the Company's strategic and financial objectives.

In order to ensure alignment of the Executive Team and VBL's strategic goals and long-term objectives, the Company has a requirement that the Executive Team must own shares in the Group.

7. Remuneration of the Board of Directors

Members of the Board of Directors of the Company receive a fixed fee. Board members are not covered by incentive programmes and do not receive performance-based remuneration. The fees are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size, actual financial condition, and complexity, the responsibilities and the time the Board members are expected to allocate to discharge their obligations as Board members, including responsibilities as members of subcommittees.

The fee of the individual Board member is specified in the Annual Report and approved by the Shareholders.

In addition to the Board of Directors' fixed fees to members of the Board of Directors, VBL may pay any outlays and travel expenses incurred in connection with a director's discharge of his or her duties as a member of the Board of Directors.

8. Disclosure

a. External Disclosure

The Company shall publish an independent Remuneration Policy Statement in the Annual Report. This Statement shall be published on at least an annual basis and as soon as practicable after the information becomes available. Such Remuneration Policy Statement shall be clear, easily understandable and easily accessible.

b. Internal Disclosure

This Remuneration Policy shall be made available and easily accessible to all staff members of the Company and all Identified Staff.

The criteria on which performance and Variable Remuneration is determined shall be clear and pre-determined through such disclosure of this Policy.

Any information disclosed internally shall indicate which parts of such information are disclosed externally. Any information not disclosed externally by the Company shall not be disclosed by any of the staff members.

Any information on the remuneration of staff members which may be confidential or containing any quantitative figures shall not be subject to disclosure.

9. Internal Review

From time to time, the Board shall review this Remuneration Policy in order to test its effectiveness. A report based on such review shall be made up, indicating the results of the effectiveness, and any policies or safeguards which must be put in place to ensure the effective risk management and the discouragement of any excessive risk-taking which is inconsistent with the Company's risk profile.

The Board shall also focus this review on the overall compliance of the Company with this Remuneration Policy and procedures adopted. This internal review shall give due consideration to any audits carried out on the Company.

10. Diversity and equal pay

An employee's total remuneration package is determined on the basis of the role and position of the individual employee, professional experience, seniority, education, responsibility, job complexity, local market conditions, the results of the Group, the business unit in which the employee is employed and the individual's performance, etc.

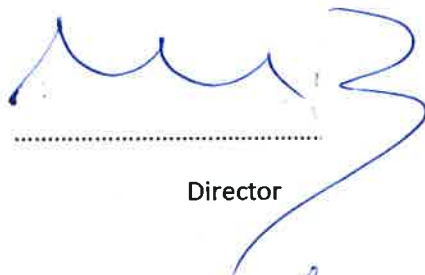
The Group has for several years adopted a strategy and policy equal employment, the objectives of that policy imply that the remuneration of individuals is set with no regard to gender, race, ethnic origin, political views, sexual orientation, age or other discriminatory factors. The Group constantly strives to promote equality within the Group both with respect to employment, career development, promotions, equal pay etc.

11. Miscellaneous

To the extent legally acceptable under applicable law, the Board of Directors may deviate from this policy in individual cases, if justified by extraordinary and exceptional circumstances.

This policy/terms of reference have been approved by the Board of Directors and comes into force as of the date of the approval.

Valletta, 9th February 2021



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Director



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Director



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Director



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