



Performance Based Remuneration: Bonus and Incentive Policy

BANK OF BEIRUT SAL

**Finance Department
Organizational Performance Unit**

October 2016

A. Policy Purpose:

The policy aims to establish guidelines related to performance based remuneration which will be used by the Bank to reward employees who significantly contribute to the results and perform according to expectations.

B. Policy Scope:

The policy covers employees from all levels of the organization and all functions be it Business lines (retail, commercial, global markets) or Support lines (all other departments).

- **Bonus:** a lump-sum payment to Support functions and Senior Managerial functions paid over and above base pay and rewards performance and achievements versus the annual objectives.
- **Incentive:** payments made to Business line employees in line functions when the targets set at the beginning of the performance cycle are met or exceeded.

C. Performance Based Bonus Pool Determination:

At the end of each year, the Bank decides whether to pay a bonus. The bonus pool will be determined by the success of the bank in achieving its earning goals. The bonus amount granted to staff will be determined by the individual contribution of each employee to business goals, which are determined by Bank Management. The bonus is not intended to make up for or add to an employee's regular compensation for meeting the minimum standards of the job position. It is at the sole and total discretion of management whether there is any bonus, the amount, timing, and whether individual employees are rewarded. It should not be assumed that past payments

have established a pattern for future payments. In other words, eligibility for or receipt of an annual bonus is not automatic, retroactive or a guarantee for future annual bonuses.

At times, a discretionary bonus will be paid at the sole discretion of the employer. The amount, the requirements, and the timing are not disclosed in advance. The employer alone determines what the reason is for providing the bonus and does so whenever sees fit.

D. Performance-Based Bonus Scheme:

The bonus amounts are set according to performance-based criteria included in the performance evaluation system. Once per year, the performance of each employee is evaluated against the tasks established in his or her job description. The work accomplished is reviewed with respect to two major objectives (“Accountabilities”, “Behaviors”), each of which has sub-objectives. For each of these many objectives, an employee is given an ordinal ranking ranging from one (“Doesn’t meet standards”) to five (“Exceeds standards”). Upon completion of this multi-faceted evaluation, the overall performance of the employee is transformed into a single number. To accomplish this, the sub-objectives within a given major objective are averaged to give the major objective a ranking. When all top level objectives have been given an average ranking, these objectives are then also averaged together to produce an “Overall Final Rating” of one number. All employees whose final rating exceeds the value of 4.0 (a descriptive rating of “Exceeds”) are given a bonus. The amount of this bonus depends on three criteria: the employee’s performance rating, the employee’s length of service and the respective monthly salary.

In order to accurately and equitably reward an employee’s performance, the system takes into consideration a set of Key Performance Indicators for every ‘Accountability’ objective which,

once operational, will contribute to correctly account for the real value of work given by each employee.

E. Incentives Plans:

The Bank offers incentives plans based on preset financial targets where **both** what needs to be accomplished **and** what the employee receives in return for accomplishing it are well defined and communicated. The financial goals, set as part of the bank's annual budgeting process, are cascaded with set financial targets to business lines and consequently to concerned employees.

F. Incentives Plans Frequency & Eligibility:

Incentives based on scorecards are paid twice a year. Incentives for special product campaigns are paid at the end of each campaign. All employees are eligible to incentives plans related to special campaigns meanwhile employees eligible to incentives plans related to scorecards are currently limited to Branch Managers, Personal Banker Representatives, and Direct Sales Agents. These employees have to achieve a minimum target under which no incentives will be paid.

G. Bonus for Senior Management:

Executives are remunerated in a way that reflects the company's short and long term strategy and is linked to the company's long-term performance.

A certain percentage of the Bank's profits will be allocated for payment to senior management (Chief Financial Officer, Chief Risk Officer, Chief Information Officer, Chief Credit Officer, etc...).

The portion for each executive will be determined according to the importance of the function with respect to general leadership of the bank, the contribution of each function to the bank's profitability, the complexity of the task, and the risks associated with the function.

The Board of Directors must actively oversee the remuneration system's design and operation for Senior Management.

H. Policy Amendment:

The policy is subject to an annual review and should be changed when required to align the budget, strategy and risk appetite of the Bank for each performance period.