



## **CORPORATE GOVERNANCE CODE**

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## INTRODUCTION

1. Corporate Governance is defined as the system by which companies are directed and controlled. Corporate Governance ultimately aims at aligning the long-term interests of a company with the interests of its owners (Shareholders) and other key Stakeholders.
2. The principles, on which the present Code is based, correspond to four concepts: responsibility of the Alpha Bank Albania (the “Bank”) leaders; accountability to the Board of Directors and the Bank’s Shareholders; fairness towards all of the Bank’s Stakeholders and transparency in the relationship between the Bank’s leadership and the Board of Directors as well as the Bank and its Shareholders and Regulators. The Bank believes in a robust, fit-for-purpose governance framework which meets the expectations of Owners, Customers and Regulators and in turn enhances the reputation of the Bank and the effectiveness of its operations.
3. The Board of Directors has adopted the present Corporate Governance Code for the Bank (the “Code”) which sets out the framework and guidelines for the governance of the Bank, including the responsibilities and functioning of the Board of Directors and its Committees. The Code is annually reviewed by the Board of Directors.
4. The Code is disclosed on the Bank’s website, following its approval by the Board of Directors. In reviewing the Code, the Bank takes into account the relevant amendments of applicable laws, regulations, and international best practices relating to corporate governance as well as recommendations by the Bank’s Supervisors. The Board of Directors is responsible for the interpretation of its provisions, if needed.
5. The Code is sourced from international, local best practices and is compatible with applicable legislation and regulations.  
In conformity with the relevant legislation, the Bank reports on the implementation of the Code’s standards and provisions and explains eventual deviations therefrom in its annual Corporate Governance Statement.
6. For consistency and transparency purposes, the Code occasionally refers to individual provisions in laws, regulations and the Articles of Association of the Bank. In case of conflict, the laws, the regulations and the Bank’s Articles of Incorporation shall prevail over the Code’s provisions.

## CORE PRINCIPLES

Based on procedures and the Rules and Regulations the Bank controls:

- a. the monitoring of the obligated persons, as defined in each case by law and regulatory framework (Members of the Board of Directors, Management Board, Risk Committee, Audit Committee, executive managers and supervisors defined as administrators, based on the regulatory framework etc.), in relation to the privileged information they hold.
- b. The monitoring of any other economic activities carried out by the obligated persons in each case (especially executive managers and supervisors) when related to the activities of the Bank.

Given the requirement for inclusion of the Corporate Governance Statement in the Bank's Annual Report, under the provisions of the legal and regulatory framework (Bank of Albania regulation No. 63 dated 14/11/2012, article 23), the Bank ensures through the use of its administrative mechanisms, the completeness, clarity and accuracy of the information contained in each report and disclosed in order to assure transparency and information of the Shareholder as to the manner of operation of the Bank and the corporate governance system to which it adheres. Similarly, the Bank ensures the completeness, clarity and accuracy of the present Code and its timely disclosure, as stipulated within, and as in force.

1. The Bank adopts this corporate governance framework in order to:
  - a. Promote its corporate interest within a framework of integrity and long-standing ethical values for which the Bank is known in the Albanian society and market; and
  - b. Enhance its long-term economic value.

The following four principles underpin the Bank's approach to governance:  
*responsibility; accountability; fairness and transparency.*

### *Responsibility*

2. Corporate governance determines the allocation of responsibilities and authorities across an organization. The Board of Directors recognizes that it has the overall responsibility for directing and controlling the Bank, including guiding the strategy and ensuring balanced risk-taking to promote soundness and safety. In this context, the Board of Directors bears a core responsibility for taking key strategic decisions and ensuring a proper control environment that includes delegation of authority and responsibility at appropriate levels within the organization.
3. As part of its responsibility to direct and control the Bank, the Board of Directors determines appropriate governance structures, policies, procedures and controls.
4. The Bank expects the Members of the Board of Directors and all Officers and Employees of the Bank to be loyal to the Bank and the Alpha Bank Group (the "Group"), act solely in the corporate interest and avoid conflicts of interests. It also expects them to diligently carry out their duties and responsibilities in a manner that respects the values of the Bank, by adopting behaviors and modes of conduct which conform to these values.

### *Accountability*

5. In discharging its overall responsibility for the Bank, the Board of Directors is accountable to the Bank's Shareholders. The Board of Directors also ensures that the Bank is fully accountable to its Supervisors in all areas of regulatory supervision and oversight.
6. The Board of Directors holds the Senior Management team of the Bank accountable

for the delegated authority and the responsibilities assigned to them, including the day-to-day management of the Bank's business. The Board of Directors expects decision-makers at all levels of the Bank to be held accountable in the same manner by their overseers.

7. Accountability is based on a rigorous evaluation of performance at all levels. It drives all human resources and organizational decision-making, underpins the Bank's risk management system and structures the internal control framework along three lines of defense – the business and operational or support units (first line); the risk management and compliance functions (second line); and the internal audit function (third line).

#### *Fairness*

8. The Board of Directors ensures that decisions and accountability mechanisms are fair and that all Stakeholders, including Shareholders, other Investors, Employees and, most importantly, the Bank's Customers are treated equitably. Fairness is the common value that holds together the franchise and organization of the Bank.

#### *Transparency*

9. Transparency and openness are necessary to build trust both within the Bank and towards the Investors, communities and other Stakeholders on which the Bank depends for its long-term soundness. The Board of Directors ensures that the Bank's organization, processes and systems allow decision-makers to possess optimal, timely and actionable information relevant to their decision-making and governance responsibilities. The Board of Directors also ensures that the Financial Statements, the Annual Report, the annual Corporate Governance Statement and other key disclosures are of high quality and are prepared and published in accordance with the laws and regulations in effect.
10. Furthermore, the Bank aims at effective, on-going communications and engagement with its Shareholders and key Stakeholders, in a constructive and fair manner. It ensures openness and honesty in its communications with Regulators and Supervisors and engages in an honest, direct way with its Customers aiming at building long-term trust.

## CHAPTER 1 – Board of Directors

### 1.1 Composition, Nomination and Tenure

- 1.1.1. The business and affairs of the Bank are managed by the Board of Directors composed of seven Members appointed by the Shareholders Meeting for a term of four years with a right to be re-elected. Based on the banking law the majority are independent. The term of office of the Members of the Board of Directors begins as soon as the Member is elected. For the avoidance of any doubt, the mandate of a Member of the Board of Directors does not terminate until the Shareholders Meeting has convened to elect the new Members of Board of Directors and they have been approved by the Bank of Albania.
- 1.1.2. Members of the Board of Directors shall not be personally liable to a Shareholder or any third party, their liability being limited only to the Bank as a legal entity and only with respect to the administration of the business and affairs of the Bank.
- 1.1.3. The Board of Directors is composed by a majority of independent individuals that at the time of their election and throughout their mandate are not connected with the Bank, shareholders that control the Bank or its executive directors through private interests, pursuant to Article 44, paragraph 2 of the Banking Law.
- 1.1.4. Members of the Board of Directors can only be elected if they meet the criteria of the Banking Law. The Chair and Vice Chair of the Board of Directors shall be elected from its own Members; as an exception the first Chair and Vice Chair of the Board of Directors are elected in the first Articles of Association under Article 15.5, their election shall be ratified in the first meeting of the Board of Directors when duly convened.
- 1.1.5. The status of the Members of the Board of Directors (the “Members”) as Executive or Non-Executive is as stipulated by the applicable legislation, while the definition of Independent Member is as specified in the Code, while meeting the requirements of the applicable legislation.
- 1.1.6. All Members of the Board of Directors should be capable of sound, objective and independent judgment in the exercise of their responsibilities (“independence of mind”). Acting with independence of mind requires Members to have the courage, conviction and strength to debate and, where appropriate, challenge proposals made by the executive leadership of the Bank. In line with the applicable legal and regulatory provisions, in order for a Member to be considered Independent during his/her term of office, he/she should neither hold more than 0.5% of the share capital of the Bank nor have had within the last three years any of the following ties with the Bank or with persons directly associated with the Bank:
  - i. Maintain a significant business or other professional relationship with the Bank or with companies affiliated with the Bank, within the meaning of the law, where the nature of the relationship may influence this business activity (see ix below);
  - ii. Hold the chairmanship of the Board of Directors of the Bank, be a Member of the Management of the Bank, or have had an employment status or paid mandate by the Bank or the Group (other than a mandate as a Non-Executive Member);
  - iii. Have up to a second-degree kinship with or being the spouse of an Executive Member of the Board of Directors, a Member of the Management or a Shareholder with a majority stake in the share capital of the Bank or of an affiliated company;
  - iv. Have been appointed in accordance with Bank of Albania legal and regulatory framework requirements.

Taking into account international best practices, the Board of Directors has established additional criteria, beyond the requirements of the applicable legislation, for a Member not to be deemed Independent, i.e. that he/she:

- v. Receives or has received from the Bank, within the preceding twelve months of his/her appointment, any other compensation except for the remuneration as a Non-Executive Member;
- vi. Has been within the last three years any of the following: a statutory auditor of the Bank, a statutory auditor of a Group Company or a partner or an employee of a company that provides regular auditing services to the Bank or to a Group Company;
- vii. Controls directly or indirectly, through related persons, more than 10% of the voting rights of the Bank or represents a significant Shareholder of the Bank or of a Group Company;
- viii. Has served on the Board of Directors for more than ten years from the date of his/her first appointment;
- ix. In view of the provision in (i), has been a major Supplier or Customer of the Bank or of a Group Company within the last three years. A major Supplier is defined as a natural person or legal entity or group of companies who/which provides the Bank with fixed consumables and services worth more than Euro 1,000,000 annually. A major Customer is defined as any natural person or legal entity or group of companies against whom/which the Bank is exposed by means of existing loans or approved credit lines at a level exceeding 5% of the book equity capital of the Bank.
- x. Is an employee of, or is otherwise associated with a controlling Shareholder of the Bank;
- xi. Has previously been employed in a position at the highest hierarchical level in the Bank or another entity within its scope of prudential consolidation, being directly accountable only to the Board of Directors, and there has not been a period of at least three years, between ceasing such employment and serving on the Board of Directors;

1.1.7. Prior to the nomination and appointment of a Member, the Board of Directors, reviews the relevant suitability and nomination criteria (“fit and proper”), as set out in applicable laws and regulations.

1.1.8. In addition to the provision in 1.1.7, in order for the Shareholders Meeting to appoint an Independent Member, the Board of Directors reviews in advance and recommends whether the candidate should be considered Independent, on the basis of the independence criteria of the Code (as per paragraph 1.1.6).

1.1.9. The Board of Directors provides the Shareholders’ Meeting, which is called to elect or re-elect Independent Members of the Board, with the necessary data and information pertaining to the above criteria of independence set by the law and the Code, so that the Shareholders’ Meeting is able to resolve on the relative election/re-election.

1.1.10. The Independent Members of the Board of Directors may, by law, submit severally or jointly, essays and special reports to the Ordinary or to the Extraordinary General Meeting of Shareholders of the Bank, if they deem it necessary, besides those of the Board of Directors.

## **1.2 Functioning of the Board of Directors**

1.2.1. The Board of Directors meets at least once every two months or whenever is required for the proper discharge of its responsibilities. At the beginning of each calendar year, the Board of Directors adopts a calendar and a work plan for the regular meetings during the year. The work plan may be reviewed by the Board of

Directors on an ongoing basis, as needed.

- 1.2.2. The Board of Directors is convened in the Bank's registered office, or, following a written notification by the Chair, outside its registered office, in any other country of the European Union or wherever the Bank or the Group to which belongs has a presence. Meetings shall be held upon the written invitation by e-mail, mail, courier or telecopy of the Chair of the Board of Directors or in his/her absence the Vice Chair or at the request of at least any two Members of the Board of Directors and at least fifteen days prior to the anticipated date of the meeting. The invitation states the date, time and place of the meeting as well as the items of the agenda. Extraordinary meetings of the Board of Directors can be convened on shorter notice by the Chair of the Board of Directors which at any case must not be less than two days provided that all Members of the Board of Directors unanimously agree to such notice.
- 1.2.3. The Board of Directors may also convene by teleconference or videoconference provided that all Members agree. In this event, the invitation to the Members of the Board of Directors shall contain the necessary information for their participation in the meeting.
- 1.2.4. The meetings of the Board of Directors are attended by the Secretary.
- 1.2.5. The Chair, with the support of the Secretary of the Board of Directors, sets the agenda of each meeting of the Board of Directors, giving appropriate consideration to the matters contemplated in the annual calendar of Board meetings and the work plan (as per 1.2.1).
- 1.2.6. The convocation along with the agenda and the accompanying materials are sent to the Members of the Board of Directors at least fifteen business days prior to the scheduled date of the meeting. At the discretion of the Chair of the Board of Directors, accompanying materials relating to specific agenda items may exceptionally be submitted less than five business days prior to the meeting.
- 1.2.7. When a meeting that is not contemplated in the annual calendar of meetings is called, the convocation of the meeting, the agenda and the accompanying materials shall be sent to the Members as early as possible.
- 1.2.8. The Members may participate in the meetings via videoconference or teleconference. In this event, the convocation to the Members shall contain the necessary information for their participation (as per 1.2.6.).
- 1.2.9. The Chair may invite any Member of the Management or third party (-ies), whose participation is deemed appropriate, to attend the meetings of the Board of Directors, in whole or in part.
- 1.2.10. The decisions of the Board of Directors are valid only if more than half of its Members are present or represented in the meeting(s) and only if the Chair and/or the Vice Chair are present. In the event of split votes, the Chair has the casting vote. If a quorum is not deemed at any meeting of the Board of Directors, the Members present adjourns the meeting and reschedules it without notice or another announcement, until the required quorum is reached. Decisions are taken by simple majority of the present Members. In the case of tie, the vote of the Chair or, in his absence, of the Vice Chair, is decisive. By exception, when the Board of Directors meets (in whole or partially) by teleconference, the participating Members should have the quorum required by the Articles of Association, while the physical presence of the minimum required number of Members is not required. In case there is no unanimous decision, the views of the minority shall be recorded in the Minutes.

- 1.2.11. A Member of the Board of Directors which is absent from a meeting for any reason whatsoever may be represented by another Member the absentee has appointed through a Proxy/Power of Attorney. A Member of the Board of Directors may not represent, under any circumstances more than one absent Member. The Proxy/Power of Attorney is valid if issued in written form unless the applicable law requires the Proxy/Power of Attorney to be notarized.
- 1.2.12. If no Member of the Board of Directors opposes in writing the Chair of the Board of Directors within two days upon receipt of the proposed resolution/s as below provided, the Members of the Board of Directors may adopt resolutions in a written form without the formality of calling a meeting. The proposed resolution together with the documentation that supports the resolutions will be sent to the Members of the Board of Directors by the Chair of the Board of Directors by mail, courier, telecopy or secure electronic means. The Members of the Board of Directors resolve on the resolution by fifteen days from the date the written resolution has been delivered to them. The Members approve the resolution by returning a signed copy of the written resolution to the Chair of the Board of Directors of the Bank. The dissenting Member expresses its objection to the resolution in written form and returns it to the Chair of the Board of Directors. The written resolution is deemed as approved if it has been approved in accordance with the quorum provided in the paragraph above. On the other hand, the compilation and signing of a resolution by all the Members of the Board of Directors or their proxies corresponds to a resolution of the Board of Directors even if the meeting has not taken place and the procedure in this paragraph has not been respected.
- 1.2.13. Meetings of the Board of Directors are chaired by the Chair of the Board of Directors or if the Chair is absent or prevented from attending, by the Vice Chair the substitution in question pertains solely to the exercise of the authorities of the Chair of the Board of Directors as such.
- 1.2.14. The minutes, deliberations and resolutions of the Board of Directors are recorded concisely in a special book, which may also be kept electronically, and are signed by the Members of the Board of Directors present at the meetings. The Secretary of the Board of Directors issues and signs the transcripts and the excerpts of the minutes of the Board of Directors without any further attestation but the seal of the Bank.
- 1.2.15. A Member of the Board of Directors may request that his/her opinion is written in the relevant Minutes but may not refuse to sign them. In this event, his/her signature is replaced by that of another Member by making reference to the relevant minutes of his/her refusal to sign them. Any such decision of the Board of Directors rendered outside the Republic of Albania and any written evidence thereof is transmitted to the General Director/Chief Executive Officer (the "CEO") who records them in the book of minutes of the Board of Directors.
- 1.2.16. Signature of the Minutes by all Members or their duly appointed representatives is equivalent to a resolution of the Board of Directors, even if a meeting has not taken place.
- 1.2.17. The signatures of the Members of the Board of Directors may be replaced by an exchange of e-mail messages, pursuant to the applicable legislation.
- 1.2.18. The Chair of the Board of Directors, with the support of the Secretary of the Board of Directors, ensures the development and implementation of an effective induction program for new Members as well as of a program for the continuous development of the knowledge and skills of current Members.
- 1.2.19. A Member should receive regular briefings on business developments and changes in the risk profile of the Bank, be apprised in a timely manner of changes in laws and the

market environment and engage frequently with Senior Executives of the Bank, attending regular presentations by Heads of sectors and services.

1.2.20. Each Member ensures on his/her own initiative the regular updating of his/her knowledge on business or regulatory developments relevant to the work of the Board of Directors.

1.2.21. The Members are entitled to request from competent corporate Officers all information that they deem necessary for discharging their duties and responsibilities at any time. Such requests are channeled, as necessary, through the Secretary of the Board of Directors.

The Board of Directors is entitled to employ independent consultants at the Bank's expense, if deemed necessary for the performance of its responsibilities. In this context, the Non-Executive Members are entitled to propose to the Chair the appointment of special consultants. Adequate funds should be made available by the Bank in order to proceed with such appointments.

### **1.3 Responsibilities of the Board of Directors**

1.3.1. The Board of Directors is responsible for the general administration and management of corporate affairs, as well as for the representation of the Bank in all its relations. The Board of Directors is responsible for the formulation of policies and the supervision of the activity of the Bank. Except for those matters reserved for the Shareholders Meeting based on the Articles of Association, the Banking Law and the Company Law, the Board of Directors is entitled to adopt any decision with respect to the Bank. It performs any action for which the relevant authority is bestowed upon it by the law or the Bank's Articles of Association.

1.3.2. In order to fulfill the responsibilities of the Board of Directors, the Members should collectively have all the requisite knowledge, skills and experience.

1.3.3. The Board of Directors may following a resolution, delegate, in whole or in part, the management and/or the representation of the Bank to one or more persons, Members of the Board of Directors, Executives or Employees of the Bank or third parties, while defining simultaneously with the above resolution, the extent of the relevant delegation as well as the possibility to further assign the powers granted

1.3.4. The Board of Directors may establish an Executive Committee and delegate certain powers and competencies to it. The composition, responsibilities, competencies, decision-making process and the overall operation of the Executive Committee should be set out in a respective resolution of the Board of Directors. The said resolution may be amended by a later resolution of the same body.

1.3.5. The Board of Directors reserves for itself the following powers and responsibilities:

#### Strategy

- i. approving and controlling the implementation of the policies and strategies of the Bank in connection with the business plan, risk management and annual budget;
- ii. setting out long-term objectives of the Bank and monitoring their implementation;
- iii. monitoring the effectiveness of management practices in the Bank and effecting appropriate changes for the purpose of improving such practices;
- iv. approving the purchase or the sale of assets outsourcing activities or credit facilities over limits as defined from time to time from the Board of Directors.
- v. The approval of the troubled asset management strategy of the Bank, the

oversight of the effective and timely implementation of this strategy and the oversight and monitoring of targets vis-à-vis the Regulator and the Supervisory Bodies in relation to the strategy.

#### Financial and Non-Financial Reporting

- vi. Ensuring the integrity and reliability of the Financial Statements and other financial and regulatory disclosures of the Bank as well as the financial information systems and controls that underpin them, with the support of the Audit Committee;
- vii. The approval of the annual and interim Financial Statements and disclosures, following a recommendation by the Audit Committee;
- viii. The approval of the Bank's Annual Report with the support of the relevant Committee;

#### Corporate Governance and Organisation

- ix. The approval of changes to the Corporate Governance Code of the Bank
- x. The approval of the annual Corporate Governance Statement, with the support of the relevant unit;
- xi. The establishment of committees in cases where it becomes necessary for addressing issues of special interest to the Bank, clearly defining the duration of their mandate, their composition and their working procedures;
- xii. The approval of changes in the membership and chairmanship of the Risk Committee of the Board of Directors;
- xiii. The appointment and dismissal of the Secretary of the Board of Directors;
- xiv. The approval of significant changes to the organizational chart of the Bank,
- xv. The approval of the Charters of each Committee of the Board of Directors.

#### Values and Culture, Executive Appointments and Other Strategic Human Resources Matters

- xvi. The articulation of the Bank's core values and principles and the monitoring of the Bank's culture, including the application of values and principles throughout the Bank;
- xvii. The approval of the Code of Ethics of the Bank, following a recommendation by the Audit Committee;
- xviii. The approval of the Anti-Bribery and Corruption Policy, following a recommendation by the Audit Committee;
- xix. The appointment/replacement of the Chief Executive Officer of the Bank and of Members of the Management Board;
- xx. Setting out conditions and standards for the selection, remuneration, appraisal and removal of the Directors of the Bank, as well as monitoring the practices for the substitution of the staff;
- xxi. Monitor and solve potential conflicts of interest of the Directors, Members of the Board of Directors and Shareholders, including the potential conflict of interests arising out of the misuse of the Bank's assets and transactions with connected persons;
- xxii. Taking any necessary and adequate measures for ensuring the integrity of the financial and accounting system of the Bank, including the independent audit of the Bank, and ensuring the existence of the appropriate systems of audit especially with regard to risk management, operational and financial system of the Bank, as well as ensuring compliance with the law and best practices in the banking system;
- xxiii. Monitoring and supervising implementation of legal and regulatory requirements and of the best practices in the banking system;
- xxiv. Supervising the process of disclosure of information and communication with the public;

#### Risk Governance

- xxv. The approval of the risk strategy and risk appetite of the Bank and the regular monitoring of their implementation, with the support of the Risk Committee;
- xxvi. The approval of capital and liquidity plans as well as of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), with the support of the Risk Committee;
- xxvii. The approval of high-level risk management policies, including provisioning and write-off policies, following a recommendation by the Risk Committee;
- xxviii. Ensuring the effectiveness of the risk management system of the Bank, including risk oversight mechanisms and controls for the management of troubled assets, with the support of the Risk Committee;
- xxix. The oversight of the risk profile of the Bank, with the support of the Risk Committee;

#### Audits, Internal Control and Compliance

- xxx. The appointment and dismissal of the Head of the Internal Audit Division, following a recommendation by the Audit Committee;
- xxxi. The approval of annual or multi-year audit plans, following a recommendation by the Audit Committee;
- xxxii. Ratification of changes to the Rules and Regulations of the Internal Audit Division, with the support of the Audit Committee;
- xxxiii. A recommendation to the Shareholders' Meeting on the appointment and remuneration of the Statutory Certified Auditors of the Bank, after considering the advice of the Audit Committee;
- xxxiv. Regularly reviewing and ensuring the effectiveness of the Internal Control System of the Bank, with the support of the Audit Committee;
- xxxv. The approval of the Bank's Policy on the Prevention of Conflict of Interests and the Policy on "Related Parties" Transactions, with the support of the Audit Committee;
- xxxvi. The appointment and dismissal of the Manager of the Compliance Department, following a recommendation by the Audit Committee on the proposal of the CEO;
- xxxvii. The approval of the remuneration of the Manager of Compliance Department following a recommendation by the Audit Committee.
- xxxviii. Ensuring, on an ongoing basis, the Bank's compliance with the applicable legal and regulatory framework.
- xxxix. The approval of the Outsourcing Policy.

### **1.1 Responsibilities of the Chair**

The Chair has a key role in the Board of Directors. The role of the Chair is intended for people with strategic thinking, decision-making abilities and knowledge of banking, financial accounts, risk management and local and international markets and economies.

The Chair has the following responsibilities:

- (a) Chairs the meetings of the Board of Directors;
- (b) Sets the agenda and ensures the timely and accurate preparation of the invitation to the Board of Directors' meetings;
- (c) Directs and facilitates the workflow, the procedures and the deliberations of the Board of Directors' meetings;
- (d) Expresses opinion on the general operation of the Bank as well as on the setting and monitoring of its strategy;
- (e) Oversees and guides the work of the Secretary of the Board of Directors and ensures the correct, accurate and timely dissemination of information to all the Members of the Board of Directors;
- (f) Is available to Shareholders and investors as the most competent representative of the Bank;
- (g) Complies with the provisions of the legislation;

- (h) Facilitates the effective participation of all Members in the meetings of the Board of Directors, adequately synthesizing their views and promoting consensus while fostering an adequate level of productive challenge of the Management's views by Non-Executive Members;
- (i) Ensures the availability of knowledge, skills and experience among individual Members;
- (j) Assumes any other responsibilities conferred on him/her by the Board of Directors.

## **1.2 Responsibilities of the Vice Chair**

The Vice Chair substitutes for the Chair in his absence or non-presence due to an impediment, and assumes his duties. In the event of the absence of the Vice Chair as well, he is substituted by the senior in tenure Non-Executive Member of the Board of Directors. The substitution in question pertains solely to the exercise of the authorities of the Chair of the Board of Directors as such.

## **1.3 Responsibilities of the Chief Executive Officer (CEO)**

The CEO has the following responsibilities:

- (a) Participates in all Shareholders Meetings and in the meetings of the Board of Directors, has general and active management of the business of the Bank and is responsible to ensure that orders and resolutions of the Board of Directors are carried into effect.
- (b) Has the powers to sign checks, orders, contracts, leases, notes, drafts and other documents and instruments in connection with the business of the Bank and to execute any document of the Bank except where required or permitted by law to be otherwise signed and executed or except where the signing and executing thereof shall be expressly delegated by the Board of Directors to some other Director(s) of the Bank.
- (c) Represents the Bank against third parties but certain transactions with third parties may require the joint signature of another Director or employee of the Bank in compliance with the decisions of the Board of Directors with respect to authorized signatories.
- (d) May in the normal course of business delegate all or part of his powers to another Director or Directors of the Bank in compliance with the decisions of the Board of Directors or with the prior approval thereof.
- (e) Makes proposals to the Board of Directors aiming at the achievement of the business objectives of the Bank, to this effect, develops relevant strategic and operational plans;
- (f) Leads the implementation of the strategic, operational and financial planning of the Bank;
- (g) Manages the business of the Bank and provides leadership to the Management team, exercising in full the decision-making power delegated to him/her by the Board of Directors;
- (h) Takes all necessary measures for the development and professional competence of the Bank's human capital;
- (i) Ensures a fit-for-purpose organizational structure and an appropriate system of delegation of authorities throughout the Bank corresponding to the Bank's internal governance requirements;
- (j) Monitors the implementation of the policies, processes and procedures of the Bank;
- (k) Ensures the adequacy of the Bank's Internal Control System and its compliance with the applicable legal and regulatory framework;
- (l) Discharges any other responsibility conferred on him/her by the Board of Directors.

## **1.4 Responsibilities of the Executive Members of the Board of Directors**

The responsibilities of the Executive Members include the following:

- (a) Leading the day-to-day work and representing the Bank in their areas of responsibility;
- (b) Supporting the Management Board in ensuring the effective and consistent implementation of the strategic plan as well as the proper management of the resources of the Bank;
- (c) Providing clear, accurate, reliable and timely information to the Board of Directors on developments in the areas under their responsibility;
- (d) Formulating clear corporate objectives for the Business Units under their responsibility in line with the strategic objectives approved by the Board of Directors;
- (e) Regularly presenting reports on the Business Units/Functions of the Bank, so that the Members have at all times a shared understanding of the financial and business situation of the Bank;
- (f) Fully participating in the deliberations, decision-making and other activities of the Board of Directors;
- (g) Discharging any other responsibilities conferred on them by the Board of Directors.

## **1.5 Responsibilities of the Non-Executive Members of the Board of Directors**

The responsibilities of the Non-Executive Members of the Board of Directors (including the Non-Executive Independent Members) pertain to the following:

- (a) Overseeing that the Board of Directors complies with the principles and standards of good corporate governance and prudent decision-making;
- (b) Participating fully in the work of the Board of Directors and its Committees so that the Board may discharge all of its responsibilities;

## **1.6 Responsibilities of the Secretary of the Board of Directors**

The responsibilities of the Secretary of the Board of Directors include the following:

- (a) Coordinating communications between the Members of the Board of Directors and the Management of the Bank in order to achieve the effective flow of information to the Board;
- (b) Organizing the meetings of the Board of Directors, Audit Committee, and Shareholders Meeting;
- (c) Drafting the agenda for the meetings of the Board of Directors, Audit Committee and Shareholders Meeting to be approved by the Chair;
- (d) Preparing the annual calendar and work plan to be approved by the Chair and the Board of Directors;
- (e) Issuing excerpts from the Minutes;
- (f) Duly preparing, filing and archiving the Minutes of the Board of Directors and Audit Committee, and Shareholders Meeting;
- (g) Receiving all notifications from the Members of the Board of Directors in relation to the discharge of their duties and obligations;
- (h) Facilitating the induction process for new Members;
- (i) Developing a continuous development program for existing Members to be approved by the Chair of the Board of Directors;
- (j) Advising the Board of Directors on corporate governance matters as required;
- (k) Organizing the Shareholders Meeting of the Bank, preparing the invitations and the agenda and ensuring their timely disclosure as required;
- (l) Providing appropriate information to the Board of Directors on institutional investor requests or other activities regarding the governance of the Bank or the preparation of the Shareholders Meeting;
- (m) Collecting and classifying recommendations for the Shareholders Meeting, ensuring compliance with prescribed procedures;
- (n) Issuing excerpts from the Minutes of the Shareholders Meeting; and

- (o) Proposing amendments to the Articles of Association as required, in collaboration with the Legal Services Department.

## **1.7 Duties and Obligations of the Members of the Board of Directors**

- 1.7.1. The Members shall fulfill all the duties and obligations attached to their position by laws and regulations, the Articles of Association and the Code.
- 1.7.2. The main duties of the Members of the Board of Directors are as follows:

### Duty of Diligent Management/Care

- 1.7.3. The Members shall discharge their responsibilities with the diligence of a prudent business person in accordance with the applicable legislation. Each Member shall ensure that he/she is adequately informed of the Bank's activities and shall dedicate the time and effort necessary for his/her position.
- 1.7.4. The Members shall ensure that the Board of Directors is informed of their other current professional obligations, in particular other boards in which they participate, and is notified prior to any future appointment. The appointment of an Executive Member of the Board of Directors of the Bank as a non-executive member of the board of directors of another company, which is not a Group Company or an affiliated company, is resolved upon by the Board of Directors.
- 1.7.5. The Members shall not hold more than one of the following combinations of directorships at the same time: (a) One Executive directorship and two Non-Executive directorships; (b) Four Non-Executive directorships, excluding directorships in organizations which do not pursue predominantly commercial objectives (e.g. non-profit, charities). Directorships held within the same group are regarded as one directorship. The professional commitments and other directorships of the Members of the Board of Directors of the Bank are reported in the annual Corporate Governance Statement in accordance with the applicable legislation.

### Duty of Loyalty

- 1.7.6. The Members shall make every effort to enhance the long-term economic value of the Bank and defend its general interests. In their capacity as Members, they are not accountable to a particular Shareholder or any other interests, except for those of the Bank and shall base all their decisions and judgments on this premise.
- 1.7.7. The Members shall not use the name of the Bank or invoke their capacity as Members in order to carry out transactions on their own account or on the account of third parties not related to the Bank.
- 1.7.8. The Members must promptly notify the Board of Directors, either directly or through the Chair, of any actual or potential conflicts of interests with the Bank in which they may be involved. The disclosure must be made in writing, unless it takes place during a meeting of the Board of Directors, in which case it may be made orally. In any case, the disclosure is included in the Minutes of the relevant Meeting of the Board of Directors. In the event of conflict, the Member involved shall not participate in any deliberations and resolutions pertinent to the relevant conflict.
- 1.7.9. The Members must also notify the Board of Directors via its Secretary, as soon as possible, of any circumstances in which they are involved that might prejudice the reputation of the Bank, in particular of criminal procedures.

### Duty of Confidentiality

- 1.7.10. The Members have access to privileged information as part of their responsibilities and must handle such information with absolute confidentiality. They shall not disclose such privileged information, in whole or in part, to any party unless explicitly authorized to do so by the Board of Directors or its Chair. Even after their term of office ends, the Members shall keep all privileged information confidential as long as such information has not entered the public domain by other means. They shall strictly observe all relevant statutory and regulatory obligations, being fully aware of the sanctions for non-compliance.

## **1.8 Remuneration of the Members of the Board of Directors**

- 1.8.1. The Members of the Board of Directors receive remuneration as determined by the Shareholders Meeting of the Bank in accordance with the specific provisions of the Articles of Association.
- 1.8.2. The total amounts of remuneration as well as any compensation for the Independent Members of the Board of Directors are reported on a separate category in the annex of the annual financial statements.
- 1.8.3. The Executive Members of the Board of Directors do not receive any remuneration for their participation in the Board of Directors of Alpha Bank and/or its Group Companies.
- 1.8.4. The remuneration of the Non-Executive Independent Members is a fixed fee. There are additional fixed fees for Committee membership and chairmanship.

## **1.9 Replacement of Members of the Board of Directors**

- 1.9.1. Membership in the Board of Directors ends before the stated statutory term in the following cases:
- i. resignation by written notice sent to the Chair of the Board of Directors at least one month prior to the anticipated date of resignation;
  - ii. removal with a resolution of the Shareholders Meeting;
  - iii. failure on the part of a Member to attend meetings of the Board of Directors for a total of six consecutive months per year without providing a valid reason which shall be construed as a resignation by the Member to be ratified by a resolution of the Board of Directors ascertaining the Member's failure to attend the meetings as above.
- 1.9.2. In the case of vacancies for reasons noted above or death of a Member of the Board of Directors, the Shareholders Meeting is convened by the Chair of the Board of Directors or the CEO of the Bank as soon as possible to fill the vacancies. Until then, if the actual number of the Members of the Board of Directors falls below the minimum required under the Banking Law, the Board of Directors might choose a temporary substitute Member among the administrators of the Bank approved by the Bank of Albania. The bankruptcy of a Member of the Board of Directors does not entail ipso facto derogation from his/her office, unless the Board of Directors resolves otherwise.

## **CHAPTER 2 – Committees of the Board of Directors**

- 2.1. The Board of Directors establishes permanent or ad hoc Committees to assist in the discharge of its responsibilities, facilitate its operations and effectively support its decision-making. The Committees have an advisory role but may also assume delegated authorities, as determined by the Board.
- 2.2. The Members of the Audit Committee are elected by a resolution of the Shareholders Meeting based on the recommendation of the Board of Directors and

the Members of the Risk Committee by a resolution of the Board of Directors. The Committees consist of Non-Executive Members. They may be assisted in their work by non-Members. The Chair of the Board of Directors may attend Committees meetings.

- 2.3. The main mission of the Committees consists in the examination of issues within their mandate, in the preparation of draft resolutions to be approved by the Board of Directors and in the submission of relevant briefings, reports, key information and recommendations to the Board. The Committees shall regularly report to the Board of Directors about their work.
- 2.4. The Board of Directors has established the following permanent Committees:
  - (i) Audit Committee;
  - (ii) Risk Committee
- 2.5. The composition, duties, responsibilities and functioning of the Committees of the Board of Directors are set out in their respective Charters.

### **CHAPTER 3 – Evaluation of the Board of Directors and its Committees**

- 3.1. The Board of Directors annually assesses its effectiveness and that of its Committees.
- 3.2. Following the evaluation of the Board of Directors, an action plan is adopted to address potential areas for improvement, as needed. The Board monitors the implementation of the action plan.
- 3.3. From time to time and at least once every three years, the Board of Directors may appoint external consultants to facilitate a more in-depth review of its effectiveness.

### **CHAPTER 4 – General Meeting of Shareholders**

#### **4.1 Competences of the Shareholders' Meeting**

- 4.1.1. The Shareholders' Meeting is the supreme governing body of the Bank. It convenes to adopt decisions reserved for it by the Articles of Association, the Company Law and the Banking Law as well as any other applicable law in force.
- 4.1.2. The Shareholders' Meeting shall resolve by simple majority of the Shareholders present in the meeting once the quorum specified in article 144.1 of the Company Law is met ("Simple Majority"). The Shareholders Meeting shall resolve on the following Bank matters and any other matter which under the Banking Law or Company Law may be approved with Simple Majority:
  - (a) Setting the business policies of the Bank;
  - (b) Adoption of the annual statement of accounts and performance reports
  - (c) Adoption of its own rules of procedure;
  - (d) Other matters stipulated by the Banking Law;
  - (e) Appointment and dismissal of the Members of the Board of Directors;
  - (f) Appointment and dismissal of the Members of the Audit Committee;
  - (g) Appointment of the Statutory Auditor(s);
  - (h) Approval of remuneration schemes regarding the persons mentioned under paragraphs 'f' and 'g';
  - (i) Representation of the Bank in the court proceedings and in other proceedings against its Directors and Members of the Board of Directors.

The Shareholders Meeting shall resolve by majority of  $\frac{3}{4}$  of the Shareholders present

in the meeting once the quorum specified in article 144.1 of the Company Law is met (“Qualified Majority”) on the following Bank matters and any other matter which under the Banking or Company Law require a Qualified Majority:

- a) Amendments to the Articles of Association;
- b) Increase or decrease of the registered capital;
- c) Changes in the rights associated with individual classes and kinds of shares;
- d) Termination of Bank’s operations, its restructuring and dissolution;
- e) Distribution of annual profits and setting of reserves;
- f) Appointment of the Members of the Board of Directors, in case of merger or separation;

The Shareholders Meeting shall be presided by the Chair of the Board of Directors or in his absence by the Vice Chair of the Board of Directors or any other Member of the Board of Directors appointed by the Shareholders Meeting for this purpose with Simple Majority. The Secretary of the Meeting shall be appointed by the Chair of the Shareholders Meeting in case a notary public is not called in the Shareholders Meeting.

#### **4.2 Convocation of the Shareholders Meeting**

- 4.2.1. The Shareholders Meeting shall be convened at least once a year within the first six months of each calendar year in order to approve the financial statements of the previous financial year of the Bank. The Shareholders Meeting has to be convened in the events provided by article 136 of the Company Law.
- 4.2.2. The Shareholders Meeting can resolve on the matters set out in paragraph 4.1 above through convocations in meeting or by way of written resolution.
- 4.2.3. The Shareholders Meeting shall be normally convoked by the Chair of the Board of Directors, but it may also be called by upon written request of the External Auditor of the Bank, a liquidator appointed to liquidate the Bank, one or more Shareholders who control together at least 5% of the Bank’s capital or any other person entitled by Banking Law or Company Law.
- 4.2.4. The notice of convocation of the Shareholders Meeting shall state the items of the agenda, the date, time and place of the meeting and other items defined in the corresponding articles of the Company Law and shall be sent to Shareholders at least twenty one days before the anticipated date of the meeting through registered post, courier, fax or e-mail. The decisions of the Shareholders Meeting shall be considered valid in the absence of a notice if all shareholders are present and agree to adopt decisions.
- 4.2.5. The Shareholders Meeting shall take place at the registered legal seat of the Bank, in the seat of a branch of the Bank in Albania or at any city or province of the world that the Shareholders may agree. For any such decision taken outside the Republic of Albania a written evidence of such decision(s) made shall be transmitted to the Management Board who shall record them in the Register of Decisions of the Shareholder(s) of the Bank, which shall be kept at the legal seat of the Bank, under the care of the Management Board. Subject to a specific resolution by the Board of Directors and in accordance with the relevant provisions of the applicable law: (a) the proceedings of the General Meeting may take place by teleconference provided that all Shareholders identify may be confirmed, and (b) the Shareholders may participate by distance in the proceedings and voting of the Shareholders’ Meeting.
- 4.2.6. Any Shareholder has the right to be represented by another person in compliance with Article 140 of the Company Law.

- 4.2.7. The Shareholder(s) recognize and agree to the right to resolve on the Bank in written form. The proposed resolution together with the documentation that supports the resolutions shall be sent to the Shareholder(s) by mail, courier, telecopy or secure electronic means. The Shareholder(s) shall resolve on the resolution within twenty one days from the date the written resolution has been delivered to the Shareholder(s). The Shareholder(s) approve the resolution by returning a signed copy of the written resolution to the Management Board of the Bank. The dissenting Shareholder shall express its objection to the resolution in writing and return it to the Management Board of the Bank. The written resolution is deemed as approved if it has been approved by the required majority in compliance with paragraph 4.1 above. On the other hand, the compilation and signing of a resolution by all Shareholders of the Bank or their proxies corresponds to a resolution of the Shareholders Meeting even if the meeting has not taken place of the procedure in this paragraph has not been respected. The Shareholder(s) resolutions issued in compliance with the Company Law and the Articles of Association shall bind the Bank.
- 4.2.8. If required by law, certain Shareholder(s) resolutions shall be notarized by a public notary. In the case that such resolutions are issued outside the Republic of Albania they shall abide by the requirements of the Albanian law on recognition of foreign documents in the Republic of Albania (i.e. undergo the legalization or apostilling procedures, depending on the country of issuance).
- 4.2.9. The Bank ensures that all data and information relating to the Shareholders' Meeting are published in a timely and appropriate manner in the means required by the applicable legislation and the Bank's Articles of Incorporation.

#### **4.3 Minutes of the Shareholders' Meeting**

- 4.3.1. The minutes of each Shareholders' Meeting shall be kept in compliance with Article 143 of the Company Law and shall be signed by the Chair and the Secretary of the Meeting or a notary public if the latter has been called and is present in the meeting. The Chair of the Shareholders Meeting bears the obligation to register a precise summary of the view of a Shareholder in the minutes, if so requested by the Shareholder. The Chair of the Shareholders Meeting or a person appointed by the Board of Directors may issue transcripts of the aforementioned minutes.

### **CHAPTER 5 – Management Committees**

The following are the main Management Committees supporting the Executives of the Bank in their day-to-day task of managing the business and its related risks:

#### **5.1 Management Board**

The Management Board acts as a collective corporate body of the Bank. The Management Board's powers and authorities are determined by way of a CEO act, delegating powers and authorities to the Committee.

The indicative main responsibilities of the Management Board include but are not limited to the following:

The Management Board prepares the strategy, business plan and annual budget of the Bank for submission to and approval by the Board of Directors, as well as the annual and quarterly financial statements, decides on and manages the capital allocation to the Business Units, prepares the Internal Capital Adequacy Assessment Process (ICAAP) Report and the Internal Liquidity Adequacy Assessment Process (ILAAP) Report, reviews and approves the Policies of the Bank, approves and manages any collective program proposed by the Human Resources Division for the Personnel, and ensures the adequacy of

Resolution Planning governance, process and systems. Further to the above, the Management Board is responsible for the implementation of an adequate and effective internal governance and internal control framework, the selection and suitability assessment process for Key Function Holders, the amounts, types and distribution of both internal capital and regulatory capital and the targets for the liquidity management of the Bank.

### **5.2 Assets-Liabilities Management Committee (ALCo)**

The Committee examines issues related to Treasury and Balance Sheet Management and monitors the course of the results, the budget, the funding plan, the capital adequacy and the overall financial volumes of the Bank approving the respective actions. In addition, the Committee approves the interest rate policy, the structure of the investment portfolios and the total risk limits of market, interest rate and liquidity.

### **5.3 Credit Committees (Performing and Non-Performing Loans)**

The Credit Committees approve new credit or restructuring proposals for performing and non-performing loans.

### **5.4 Troubled Assets Committee**

The Troubled Assets Committee designs, proposes and implements the strategy for managing troubled assets by Business Unit (Wholesale Banking, Retail Banking), geographical region, product, activity, sector, etc.

## **CHAPTER 6 – Internal Control System**

The Internal Control System, in compliance with the relevant regulatory framework, consists of auditing mechanisms and control procedures relating to all the activities of the Bank, aiming at the latter's effective and secure operation.

The Internal Control System of the Bank ensures the:

- Consistent implementation of the business strategy with an effective utilization of the available resources;
- Identification and management of all risks undertaken;
- Completeness and the credibility of the data and information required for the accurate and timely determination of the financial situation of the Bank and the generation of reliable financial statements;
- Compliance with the current regulatory framework, the internal regulations and the Code of Ethics;
- Prevention and avoidance of erroneous actions that could jeopardize the reputation and interests of the Bank, the Shareholders and those transacting with the Bank;
- Effective operation of the IT systems in order to support the business strategy and the secure circulation, processing and storage of critical business information.

### **6.1 Risk Management**

The Risk Management Division is led by the Manager of the Division, who reports to the Board of Directors, through the Risk Committee, and to the CEO of the Bank. Risk management comprises a broad framework of policies and procedures on the undertaking, assessment, monitoring and treatment of the various risks affecting the activities of the Bank. Particular emphasis is placed on the strict observance of the framework and the overall management of the various risk types as well as on the determination of the acceptable risk appetite in the process of business decision-making and target setting.

### **6.2 Compliance**

The Compliance Department identifies, assesses and manages risks to which the Bank may be exposed, due to failure to comply with the applicable regulatory framework (compliance risk). In this context, it continuously collects, records, processes and interprets the regulatory framework, monitors the upcoming changes and records deviations from the requirements and obligations arising for the Bank, in order to timely evaluate their impact, to take appropriate measures in implementing them and to safeguard the interests and reputation of the Bank. The Head of Compliance, while reporting administratively to the CEO, shall report functionally to the Audit Committee, which shall refer accordingly to the Board of Directors.

### **6.3 Internal Audit**

The Internal Audit Division is responsible for the internal audit of the Bank. The Head of Internal Audit, while administratively reporting to the CEO, shall report functionally to the Board of Directors through the Audit Committee. The Division performs audits regarding the adequacy and the effectiveness of the Internal Control System of the Bank, in accordance with the stipulations of the regulatory framework and investigates thoroughly cases on which there is evidence that the interests of the Bank are harmed. It monitors the implementation and the effectiveness of the corrective actions recorded in the reports of all sorts of audits (by internal auditors, external auditors, Regulatory Authorities, Tax Authorities etc.).

## **CHAPTER 7 – Final Provisions**

- 7.1. The Code is reviewed annually by the Board of Directors of the Bank.
- 7.2 The Code was reviewed and approved by the Board of Directors in accordance with the provisions of the applicable legislation and is posted on the Bank's website ([www.alphabank.al/](http://www.alphabank.al/)).