

## **CHARTER OF THE BOARD RISK MANAGEMENT COMMITTEE**

### **Article 1 – Mission Statement**

The Board Risk Management Committee (“the Committee”) oversees all risk management activities that are carried out throughout the Bank and across the Group for the purpose of identifying, evaluating and managing all key business risks.

The Committee also ensures that systems, policies and procedures are in place to manage these risks and ensure that major risk issues are referred to the Board of Directors.

### **Article 2- Main Functions**

The Committee’s main function is to assist the Board in meeting its obligations to ensure that the Bank operates in a safe and sound manner, and in accordance with the regulations and policies set forth by the Central Bank and the Banking Control Commission in Lebanon as well as with all relevant regulatory authorities where Bank of Beirut operates. Consequently, the Committee’s objectives are to:

1. Ensure that the Group’s risk management framework, including policies and procedures are being consistently applied across all local and overseas branches and subsidiaries;
2. Consider and propose changes to existing risk-related policies and procedures as and when appropriate;
3. Review and assess the risk management policies and follow-up on the fact that procedures are timely set for implementation;
4. Review reports and findings identified by the Group Risk Management Department;
5. Review and approve risks related to all new products/systems;
6. Act as a platform where issues related to the implementation of Basel 3 projects are discussed and followed-up through the feedback from related steering committees;
7. Discuss and review the quarterly risk management reports issued by the Group Risk Management and initiate an objective debate to arrive at a formal final version to be submitted thereafter to the Board of Directors;
8. Submit the Committee’s minutes of meetings to the Board of Directors.

In the course of fulfilling its responsibilities under this Charter, the Committee shall, through the Chairman’s Office, have direct access to Senior Management and auditors (internal and external).

In addition, the Committee has the authority to request any officer or manager of the Bank to attend a meeting of the Committee.

### **Article 3 – Members of the Committee:**

The Committee's Chairman and members shall be appointed by the Board of Directors and shall be accountable to it. It shall consist of a minimum of three Board members of which the majority are non-executives; while the Chairman of the Committee shall be an independent non-executive director. The Chairman of the Committee shall neither be the Chairman of the Audit Committee nor the Chairman of the Board of Directors. No more than one member of the Committee shall be a member of both the Board Audit Committee and the Board Risk Management Committee.

Each member shall be appointed for an initial term of three years. Upon their appointment, members of the Committee are expected to fully understand and be aware of their roles and responsibilities within the Committee and read, understand and sign the Committee's Charter in this respect. The Chairman and members of the Committee should have the needed skills and experience to be able to assess the financial, operational and credit risk profiles of the Bank. The powers and responsibilities of the Chairman of the Committee may not be delegate to any other person.

### **Article 4 - Meetings**

#### **Frequency**

The Committee shall meet as needed, but less than on a quarterly basis, to allow full and timely oversight of the Bank's Group Risk Management function.

The Committee meetings shall be held at the Head Office of Bank of Beirut s.a.l. unless an alternative meeting place has been agreed upon by all members on exceptional basis. However, a minimum of two meetings per year shall take place in Lebanon.

The secretary of the Committee shall send the agenda to all members of the Committee a week before the meeting; however, the secretary may send the agenda 48 hours prior to the meeting on exceptional basis only.

#### **Quorum**

Quorum is achieved by the presence of at least three members of the Committee. In addition, no meetings shall take place in the absence of the Chairman of the Committee unless on exceptional circumstances whereby an independent member shall chair the meeting.

#### **Decisions and Minutes**

Decisions are made by majority voting. In the event where the differing opinions were equally voted for, the vote of the Chairman of the Committee on that day would prevail.

Minutes of meetings shall be taken by the secretary of the committee; which shall be dated, carry a serial number, and include a list of attendees, discussions made, resolutions taken and shall be verified and signed by the Chairman of the Committee and the attending members.

## **Article 5 – Details of Responsibilities**

The Committee's main responsibility is to develop and oversee a sound and effective internal risk management framework and incorporate the process of risk management in the business decision making of all activities and business units of the Bank.

In this respect, the Committee's key responsibilities are summarized by the following:

1. Formulate a risk strategy and proper capital management planning to align with the business objectives of the Bank;
2. Review and recommend, at least annually, to the Board of Directors, the Group's Consolidated Internal Capital Adequacy Assessment Process (ICAAP) document;
3. Develop and maintain the Group's internal Risk Management Framework, while ensuring that sound policies are implemented for the management of the Group's key risks, mainly: credit, liquidity, market, operational, legal, strategic, business and reputation risks;
4. Review internal limits pertaining to key risks as reported by the Group Risk Management, address identified breaches – if any – and propose remedial measures where necessary;
5. Monitor and evaluate the adequacy of the risk management methodologies;
6. Discuss, where applicable, material risk issues included in reports issued by the regulatory authorities upon examination of the Bank locally and across its overseas branches and subsidiaries, and ensure timely implementation of the related recommendations;
7. Ensure that adequate risk procedures are set for the Bank's locally; and across the entire Group, while overseeing their respective proper and effective implementation;
8. Ensure that the Bank is always in conformity with Basel and Lebanese regulatory risk requirements;
9. Perform regular review of the progress in implementation of the risk strategy and submit recommendations for remedial actions in events where deficiencies in implementation are identified;
10. Promote risk awareness and a sound risk culture across the Group;
11. Review the Group's quarterly risk reports as submitted by the Head of Group Risk Management and ensure proper communication of material findings to the Board of Directors.

## **Article 6 - Validity of the Charter**

The Board Risk Management Committee reviews and assesses the adequacy of its Charter annually. The Committee may recommend amendments to this Charter at any time; however, the confirmation of any amendment requires the approval of the Chairman of the Committee, to be submitted thereafter for approval by the Board of Directors.

This charter is valid and fully applicable from the date of its approval by the Board of Directors, and will remain applicable as long as no amendments were re-issued. The ratification of this charter automatically cancels out and replaces any previous charter.