



Bank of Beirut

Corporate Governance Guidelines

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1. The Bank's Commitment to a Sound Corporate Governance Framework

Bank of Beirut s.a.l. (the Bank), through its Board of Directors (the Board), acknowledges the necessity of having a sound Corporate Governance Framework that is aimed at safeguarding the stakeholders' interests. In doing so, the Board is committed to being collectively responsible for implementing an effective Corporate Governance Framework that is driven by its principal duty to act in good faith, with prudence and within a set of values and standards that ensure that the stakeholders' interests are fully understood and met.

The major guidelines by which the Board fulfills its duties are described in this document. The present guidelines also reflect the recent enhancement to the Corporate Governance Framework as incited by the Board following the latest principles published by the Basel Committee on Banking Supervision in its "Corporate Governance Principles for Banks" paper issued in July 2015. The Board will continue to review and improve its processes and monitor developments in this area to ensure commitment to a sound Corporate Governance Framework on a sustainable basis.

The Board has adopted the principles and practices of international regulations, namely the Basel Committee's "Corporate Governance Principles for Banks" referred to above, as well as the Banque du Liban (BDL) Basic Circular no. 106 issued in July 2006 and its amendments.

2. Overview of the Board of Directors

2.1. Function

As per its Articles of Association, Bank of Beirut s.a.l. is managed under the direction and oversight of its Board of Directors. The Board's primary function is to supervise management and to exercise its business judgment, to act in good faith and in what each Director reasonably believes to be in the best interests of the various stockholders in optimizing long-term value, by providing guidance and strategic oversight on their behalf.

2.2. Composition

The Bank's Articles of Association state that the number of Directors may not be less than three members but not more than twelve. Members of the board are elected for a period of three years, and may be re-elected several times without any limitation.

In order to ensure carrying out its primary responsibilities of supervising management and act in the best interest of the Bank's stakeholders with integrity and independence, and pursuant to BDL Basic Circular no. 118 issued in July 2008, the Board of Directors is composed of a

sufficient number of non-executive¹ and independent² members. Accordingly, the substantial majority of the current eleven members of the Board of Directors of Bank of Beirut s.a.l. is composed of non-executive and independent Directors, which is also in line with the Board’s policy to have only two Executive Directors.

Name	Function
Dr. Salim G. Sfeir	Chairman of the Board – Chief Executive Officer Executive Director
Mr. Adib S. Millet	Vice Chairman of the Board Non-Executive Director
Mr. Fawaz H. Naboulsi	Deputy Chief Executive Officer Executive Director
Mr. Antoine A. Abdel-Massih	Non-Executive Director
H. E. Anwar M. El-Khalil	Non-Executive Director
Emirates Bank International pjsc Represented by Mrs Loubna Kassem	Non-Executive Director
Mr. Rashed S. Al Rashed	Independent, Non-Executive Director
Mr. Krikor S. Sadikian	Independent, Non-Executive Director
Mr. Antoine Y. Wakim	Independent, Non-Executive Director
Mr. Ramzi N. Saliba	Independent, Non-Executive Director
Mr. Robert K. Sursock	Independent, Non-Executive Director

2.3. Qualifications

The criteria for the selection of new Directors include unquestionable integrity and character, successful professional background, and the ability and willingness to commit adequate time to the Bank. These criteria, among others, is verified by the Board Remuneration and Nominations Committee who advises the Chairman and the Board on the profile and credentials to be considered in the newly admitted Board members.

Moreover, the Bank’s Articles of Association state that the number of Directors may not be less than three members, holding each a minimum of 100 shares. The majority of Directors should

¹ Article 1 of BDL Circular No. 118: A Board of Directors’ non-executive member: a Board member who has no administrative function in the concerned bank and is entrusted with no executive duties at this bank and/or any of its branches or affiliates in Lebanon or abroad, or who does not fulfill a consultative function for the Senior Management, whether presently or during the two years preceding his/her appointment as a Board member. The Board member appointed in any subsidiary abroad is not considered as an executive member under this Decision, if the laws governing him/her in the foreign country do not grant him/her this capacity.

² Article 1 of BDL Circular No. 118: A Board of Directors’ independent member: a Board member who meets the following conditions:

- Is a non-executive Board member
- Is not one of the major shareholders who own, directly or indirectly, more than 5% of the bank total shares or voting rights pertaining to these shares, whichever bigger
- Is independent from any person in the Senior Management of the concerned bank or from its major shareholders, so that no business relationship binds him/her to any of them, whether presently or during the two years preceding his/her appointment as a Board member
- Is not related by kinship, up to the fourth degree, to any of the major shareholders
- Is not one of the bank’s debtors

be of Lebanese nationality and can be legal entities represented by a person designated in this respect.

There is no age limitation regarding the membership in the Board of Directors of Bank of Beirut s.a.l. provided compliance with Article 154 of the Code of Commerce.

Directors are expected to advise the Chairman of the Board in advance of accepting any other company directorship or the Board of Directors of any other company and to obtain the approval of the General Meeting of Shareholders pursuant to the provision of Article 159 of the Code of Commerce when applicable.

2.4. Elections and Term

According to the Bank's Articles of Association, Directors are elected by the Ordinary General Assembly to a term that is at most, three years. The number of terms for which an individual may serve on the Board is not limited.

2.5. Remuneration

A Director who is (or not) an officer of Bank of Beirut shall receive attendance fees ("jetons de présence") for such service as a Director. On the other hand, the remuneration scheme of the CEO and the Executive Board members is subject to approval of the General Assembly based on the recommendation of the Board Remuneration and Nominations Committee.

2.6. Board Meetings

The Board meets in formal sessions at least quarterly. Directors are expected to attend all Board meetings in addition to the meetings of the Board Committees on which they serve, Directors should spend sufficient time to prepare for meetings.

The Chairman - Chief Executive Officer will establish the agenda for each Board meeting. Directors shall be summoned one week in advance of meetings dates.

The presence of the majority of the incumbent Directors at the time of any meeting constitutes a quorum for the transaction of business, and the act of a majority of such Directors present at a meeting at which a quorum is present constitutes the act of the Board. Directors may vote or participate by proxy.

3. Responsibilities of the Board of Directors

3.1. Setting and Overseeing the Implementation of the Business Objectives and Strategy

The Board has ultimate responsibility for the strategy and the management of the Bank. The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Bank and its shareholders. In discharging that obligation, Directors are entitled to rely on the honesty and integrity of the Bank's senior executives and its external advisors and auditors.

Accordingly, in fulfilling its responsibilities, the Board of Directors will:

- Review, approve and monitor the long-term strategic plan as well as the annual budget as presented by the Bank’s Senior Management and evaluate, on regular basis, the Bank’s performance;
- Review and approve significant corporate actions, and recommend to the Ordinary General Assembly to pass the appropriate resolutions in this respect whenever required;
- Maintain active involvement in the affairs of the Bank and keep up with material changes in the Bank’s business and external environment to safeguard the long-term interest of the Bank and its stakeholders;
- Ensure that the Bank continuously maintains a robust Finance function to guarantee the accuracy and integrity of accounting and financial data;
- Approve the annual financial statements and ensure critical areas are subject to a periodic annual review.

3.2. Ensuring Compliance with Applicable Laws and Regulations

The Board ensures that Directors, Senior Management, and employees continuously observe and act within the applicable laws and regulations, through enforcing the Bank’s policies and practices at all times. In this respect, the Board approves and oversees the implementation of key policies at the Bank, as well as capital and liquidity plans, including the Internal Capital Adequacy Assessment Process (ICAAP), Risk Management and Compliance policies as well as maintaining a robust internal control framework, in accordance with supervisory requirements.

Moreover, the Board oversees the management of the Bank’s compliance risk through an independent Compliance function that ensures that the Bank operates with integrity and in accordance with applicable laws and regulations. The Compliance function has direct access to Senior Management and to the Board through its Risk and Compliance Committee, whereby the Board and Senior Management are kept informed with developments in Compliance risks. Furthermore, the Board, through its Board Risk and Compliance Committee, ensures that the Compliance function regularly educates employees on Compliance issues and provides them with guidance in this regard.

3.3. Reinforcing Corporate Culture, Values and Ethical Behavior

In its governance approach, the Board assumes the “tone at the top” in promoting a sound corporate culture that is based on high standards of ethical behavior. The Board ensures that these standards are strictly observed by Directors, Senior Management and employees. In doing so, the Board expects Directors, Senior Management and employees to:

- Observe the highest standards of behavior and commitment to truth;
- Strive at all times to enhance the reputation and performance of the Bank through fair dealing;
- Decline acceptance of gifts of significant value;
- Conduct the business of the Bank in compliance with relevant laws and ethical standards;

- Prevent conflicts of interest; and
- Demonstrate social responsibility and contribute to the well-being of the community.

Moreover, the ethical business conduct is enforced through formal policies implemented at the Bank that comprise the “Code of Conduct” and the “Anti-Bribery & Anti-Corruption (ABC)” policies summarized here below:

- *Code of Conduct*

The Bank adopted a Code of Conduct policy that embodies honesty, integrity, quality and trust, and other principles and standards to which management, officers, and employees are expected to adhere.

The purpose of the Code is to communicate the ethical framework within which the Bank operates and to place employees on notice that they will be held responsible for abiding by the articulated standards, including applicable laws. They are also expected to conduct themselves in order to protect and promote organization-wide integrity and to enhance the Bank’s ability to achieve its mission, as it provides practical set of guiding principles to help them make decisions in their day to day work.

- *Anti-Bribery & Anti-Corruption (ABC)*

That Bank has an adequate ABC policy in place that will prevent bribery and corruption while ensuring commitment to high behavioral standards and integrity when conducting day-to-day operations. It also ensures that staff and associated persons comply with the relevant procedures.

3.4. Overseeing an Effective Risk Governance Framework

- *Risk Appetite*

The Board is responsible for defining the Bank’s overall risk appetite and tolerance levels that are aligned with the Bank’s strategic and financial plans and objectives. In doing so, the Board ensures communicating the defined risk appetite and tolerance levels to the various Business Lines through its Board committees as well as the several Senior Management committees. Likewise, the Group Risk Management function ensures that risk policies and methodologies are consistent with the Bank’s risk appetite, and it monitors and regularly reports risk exposures to the Board through its Risk and Compliance Committee (BRCC).

- *Risk Governance Framework*

Ensuring the presence of a sound Risk Management and an effective Internal Control is an essential responsibility of the Board. In this respect, the Board maintains an active role in overseeing the efficiency and effectiveness of a sound Risk Governance Framework that comprises:

- Business Lines that are responsible and accountable for the management of risk in their areas;

- Independent Risk Management and Compliance functions with sufficient authority, stature, independence, resources and access at the Board level through the Board Risk & Compliance Committee (BRCC);
- An Independent Internal Audit function with direct access to the Chairman of the Board of Directors; the Internal Audit function is responsible for independently reviewing and providing an objective assurance on the quality and effectiveness of the Bank’s internal control framework.

3.5. Maintaining Oversight of Senior Management

▪ *Delegation of Responsibilities to Senior Management*

The Board is ultimately responsible for the management of the Bank; however, the Board may delegate a number of its responsibilities to the Senior Management and its Committees. In this respect, Senior Management is responsible for managing the day-to-day operations of the Bank, and is also responsible for recommending policy and strategic direction for Board approval. Nevertheless, the Board cannot abolish its responsibility for functions delegated to management.

In exercising its duties, Senior Management must provide confirmation to the Board that the Bank’s financial reports represent a true and fair view, in all material respects, of the Bank’s financial condition and operational results and are in accordance with relevant accounting standards.

▪ *Directors’ Access to Senior Management*

Directors have complete and open access to the Bank’s Senior Management and other employees. Any meeting or contact that a Director wishes to initiate with an Officer at the Bank is to be arranged through the Chairman of the Board of Directors.

▪ *Senior Management Succession Planning*

The Board shall plan for the succession of the Senior Management positions held within the Bank. The Board may delegate such a task to the Chairman of the Board of Directors.

▪ *Senior Management Committees*

The Board is responsible for approving the charters of the various committees at the Bank and monitoring their performance. In this respect, it is expected that each of the Bank’s committees operates within its own written charter which includes, among others, the committee’s roles and responsibilities. In this respect, the Board has approved the charter and continuously monitors the performance of the following Management Committees that comprise members of Senior Management:

1. Asset/Liability Management Committee
2. Credit Committee
3. Credit Committee for Financial Institutions
4. Anti-Money Laundering and Counter-Financing of Terrorism Committee

5. Asset Recovery Committee
6. Real Estate Committee
7. Foreign Affiliates Committee
8. Retail & Branches Committee
9. Products & Packages Committee
10. Cross Selling Committee
11. Marketing & Communication Committee
12. Human Resources Committee
13. Information Technology Committee
14. Investment Committee For Funds And Structured Products And Derivatives
15. Procurement Committee
16. Business Continuity Committee
17. Operational Risk Management Committee
18. Information Security Committee

4. The Board of Directors' Own Governance Structure and Performance

4.1. Chairman of the Board of Directors

The Board shall appoint a Chairman (the Chairman) and one or more Vice Chairman from among its members for a maximum period of three years (renewable without any restriction). As per the Lebanese law, the Chairman of the Board of Directors shall act as the General Manager of the Bank (also referred to as the Chief Executive Officer).

The responsibilities of the Chairman include, but are not be limited to:

- Ensuring the proper running of the Board and that all matters on the agenda are sufficiently supported;
- Ensuring the Board meets at regular intervals and minutes of meetings accurately record decisions taken;
- Providing effective leadership to formulate the Board's strategy; and
- Reviewing the performance of the Board and individual Directors.

4.2. Board Committees

1. Board Audit Committee

The role, responsibility, composition and membership requirements of the Audit Committee are documented in the "Board Audit Committee Charter".

The Audit Committee of Bank of Beirut comprises at least 3 non-executive Directors. The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to compliance with financial reporting and regulatory requirements, integrity of financial statements and reports, and external and internal audit functions. The Audit Committee must meet at least 4 times per year in scheduled meetings.

Moreover, the Audit Committee is responsible for ensuring the independence of the external Auditor. The Audit Committee reviews significant accounting and reporting issues and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

2. Board Risk & Compliance Committee

The role, responsibility, composition and membership requirements of the Board Risk & Compliance Committee are documented in the “Board Risk & Compliance Committee Charter”.

The Board Risk & Compliance Committee of Bank of Beirut comprises at least 3 non-executive Directors. The Board Risk & Compliance Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to compliance with Basel requirements and Internal Capital Adequacy Assessment Process (ICAAP) document; it evaluates and manages all key business risks by administering policies and procedures. The Board Risk & Compliance Committee must meet 4 times per year in scheduled meetings.

3. Board Credit Committee

The role, responsibility, composition and membership requirements of the Board Credit Committee are documented in the “Board Credit Committee Charter”. The Board Credit Committee is the highest credit approval authority at the bank and its main function is the approval/ratification of all the commercial credit requests presented to it and which are above USD 3,000,000.

4. Board Remuneration & Nominations Committee

The role, responsibility, composition and membership requirements of the Board Remuneration & Nominations Committee are documented in the “Board Remuneration & Nominations Committee Charter”.

The Board Remuneration & Nominations Committee of Bank of Beirut comprises at least 3 non-executive Directors. Functions of the committee regarding remuneration include: setting the over-arching principles and parameters of the remuneration policy; approving the annual staff bonus pool; recommending to the Board of Directors the remuneration scheme of the CEO and the Executive Board members to be further submitted to the General Assembly for approval; approving the remuneration arrangement of the C-Level and perform periodic reviews accordingly, and exercising oversight for remuneration. On the other hand, functions of the committee regarding nominations include: advising the Chairman and the Board on the profile and credentials to consider in the newly admitted Board members; assisting the Chairman of the Board in assessing the role and effectiveness of the Board performance as a whole; exercising oversight in assisting and advising the Chairman in relation to Board related matters and compliance with the prevailing laws & regulations governing Board responsibilities; and assisting the Chairman and the Board in promoting a culture of good corporate governance and risk management.

The Board Remuneration & Nominations Committee will typically meet on a semi-annual basis and be convened by the Chairman where necessary and appropriate in relation to the appointment of executive and non-executive directors and senior managers.

4.3. Board Performance

The Board recognizes that it is collectively responsible for promoting the success of the Bank by directing and supervising the Bank's affairs. In doing so:

- The Board shall conduct an annual self-assessment to determine whether the Board as a whole, or its various committees are functioning effectively;
- Each Board committee shall conduct a self-evaluation and report the results to the Board, comparing the performance of the committee with the requirements of its written charter. This requirement is also applicable to Senior Management committees who shall report results to the Board as well;
- The Board shall assess on annual basis, the suitability of each of its Board members, while taking into consideration each member's performance on the Board;
- The Board shall continuously evaluate its performance and conduct ongoing improvements of its own governance practices when needed.

The Board of Directors has also established a specialized committee, the Board Remuneration and Nominations Committee, which assists the Chairman of the Board in assessing the role and effectiveness of the Board performance as a whole.

4.4. Ethical Standards

▪ *Conflict of Interest*

Of particular importance, Directors must avoid any action, position or interest that conflicts between their duty to the Bank and their own interests. A Director who has a conflict or potential conflict of interest in a matter that relates to the affairs of the Bank, must give the Chairman notice of such interest as soon as practicable after the Director becomes aware of their interest.

▪ *Duty of Care*

Directors are expected to act in the Bank's best interest and exercise their business judgment in good faith and prudence, while assuming the care an ordinary person might use in a similar position. Likewise, each Director must take informed decisions based on diligent knowledge of the Bank's structure and business practices.

▪ *Duty of Loyalty*

Directors owe a duty of loyalty to the Bank. This duty of loyalty mandates that the best interests of the Bank take precedence over any interests possessed by a Director. As such, the Directors are expected to avoid any conflicts of interest. Should a Director becomes involved in any transaction that could lead to a potential conflict of interest, he/she should promptly report it to the Chairman - Chief Executive Officer.

4.5. Disclosure and Transparency

The Board of Directors shall take adequate and reasonable steps to disclose its governance structure through its annual reports and on its website, to enable shareholders and depositors, in addition to other stakeholders, assess the effectiveness of the Board and Senior Management in governing the Bank. In this respect, the Board shall disclose:

- The Bank’s governance structure, including its Corporate Governance approach;
- Board members and their qualifications, in addition to their remunerations;
- The Board committees charters;
- The Code of Conduct, including the Bank’s policy towards safeguarding against conflicts of interest;
- Overview of the Bank’s policies and practices in Risk Management and Compliance;
- The Bank’s ownership and organizational structure;
- Financial results, including all relevant financial statements required by the regulators, in addition to the External Auditors opinions where relevant.

On the other hand, the Board is committed to promoting a transparent environment within the Bank, through entrusting to the Internal Audit the necessity of providing assurance and protection to whistleblowers from among its employees who report any unethical behavior, questionable, or illegal activities that might jeopardize the Bank’s reputation or its financial integrity.

4.6. Board Education

The Board shall ensure that Directors are continuously kept up-to-date with the latest developments in the banking industry, including new or enhanced banking practices and advancements in the business within the Bank or regarding the industry as a whole, in addition to any changes to the legal and regulatory frameworks. Consequently, the Board shall take the needed steps and shall be open to conducting the necessary training to Board members where it deems needed, the Board also acknowledges that this is important in particular to newly appointed Directors.

5. Document Version and Date

Version: 2.0

Date: April 2017

6. Review & Amendment

This document is subject to periodical review and amendment by the Board of Directors

7. Approval

The Board of Directors of Bank of Beirut s.a.l.

Date