



Bank of Beirut

Corporate Governance Policy

Disclaimer

All of the information contained in this document are copyright material and the property of Bank of Beirut S.A.L. and its affiliated and group companies ("Bank of Beirut") unless otherwise indicated. The document is for internal use only by employees of Bank of Beirut.

None of the information or images contained in the document may be copied, reproduced, republished, downloaded or distributed in whole or in part to any person or entity outside of Bank of Beirut. If you need further details about any information on this document, please contact the Corporate Governance Department at Bank of Beirut. By accessing this document, you agree to be bound by all of the above terms and conditions.

TABLE OF CONTENTS

I. Introduction.....	3
II. Responsibilities and Functions of the Board	3
III. Board Structure and Qualifications.....	4
A. Board Structure	4
B. Board Qualifications.....	4
C. Directors Responsibility	5
IV. Selection and Role of the Chairman	5
V. Board Committees	6
A. Board Audit Committee	6
B. Board Compliance Committee	6
C. Board Risk Management Committee.....	7
D. Board Remuneration Committee	7
VI. Management Committees	8
VII. Code of Conduct	8
VIII. Ethical Standards	9
IX. Board meetings.....	9
X. Board Performance	10

I. Introduction

The Board of Directors of Bank of Beirut s.a.l (referred hereafter as “Bank”) is collectively responsible for the Corporate Governance of the Bank. The Bank’s Corporate Governance is driven by the Board’s principal responsibility 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 processes by which the Board fulfils its duties are described in this Corporate Governance Policy. The Board will continue to review and improve its processes and monitor developments in this area.

The Board has adopted the principles and practices of all BDL and BCC circulars related to prudential banking. It also adopted the international laws, regulations and guidelines, as well as the policies and procedures that are applicable within the jurisdictions where the Bank is licensed to operate.

II. Responsibilities and Functions of the Board

Bank of Beirut’s business is managed under the direction and oversight of the Board of Directors. The Board’s primary responsibilities are then 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.

In addition, 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;
- Enforce the Bank’s policies and practices regarding compliance with applicable laws, regulations, and ethical standards;
- Implement and maintain appropriate systems for risk management and internal control;
- Ensure that the Bank’s management and employees are operating in an ethically responsible manner;
- Approve credit lines that exceed the internal lending limit;
- Review and approve significant corporate actions, and recommend to the General Meeting of Shareholders to pass the appropriate resolutions in this respect whenever required;
- Oversee effective corporate governance;
- Approve the Charters of the various Committees at the Bank and monitor their performance. In this respect, it is expected that each of the Bank’s Committees operate

within their own written charter which will include among others, the Committee's role and responsibilities.

The Board may delegate a number of its responsibilities to the Management and its Committees. Management has responsibility for managing the day-to-day operations of the Bank, and for recommending policy and strategic direction for Board approval. The Board cannot abolish its responsibility for functions delegated to management.

III. Board Structure and Qualifications

A. Board Structure

The Bank's articles of incorporation and Bylaws state that the number of Directors may not be less than three members, holding each a minimum of 100 shares. The majority of the Directors should be of Lebanese nationality and can be legal entities represented by a person designated in this respect.

The Board of Bank of Beirut S.A.L. comprises currently nine Directors. Two of whom are executive Directors, two are non-executives, and the remaining five Directors are independent members.

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.

B. Board Qualifications

The Board believes that the substantial majority of the members should consist of Directors who are independent, that is, non-executives at the Bank. In this respect, it is the Board's policy to have only two Executive Directors.

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.

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-General Manager.

The term of office for Directors, according to the Bank's bylaws, is at most, three years. The number of terms for which an individual may serve on the Board is not limited.

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.

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.

C. Directors Responsibility

The Board has ultimate responsibility for the strategy and the management of Bank of Beirut S.A.L. 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 should be entitled to rely on the honesty and integrity of the Bank's senior executives and its outside advisors and auditors.

Directors have complete and open access to the company's senior management and other employees. Any meetings or contacts that a Director wishes to initiate with an Officer at the Bank are to be arranged through the Chairman.

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

IV. Selection and Role of the Chairman

The Board shall appoint the Chairman and Deputy General Manager 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 shall act as a General Manager of the Bank.

The responsibilities of the Chairman shall include, but 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.

V. Board Committees

A. 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 three non-executive Directors. The Chairperson of the Audit Committee is a Board independent member who has modern and practical banking or financial experience in the financial administration, accounting or auditing field.

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 four 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.

B. Board Compliance Committee

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

The Board Compliance Committee consists of at least three members, and convenes on a quarterly basis. The Chairperson of the Compliance Committee shall be chosen among its members, who is independent and has the necessary practical expertise.

The Committee monitors the compliance framework of the Bank and its controlled entities within the context of the compliance strategy determined by the Board of Directors; it supports the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and provide assistance in making the appropriate decisions with regards to all compliance matters including but not limited to Sanctions Compliance, FATCA, Common Reporting Standard (CRS), and Legal Compliance.

The Committee oversees the Bank’s compliance with local and international laws, regulations and guidelines, as well as the policies and procedures that are applicable within the jurisdictions where the Bank is licensed to operate. This typically includes specific areas such as regulatory

compliance, the combatting of financial crime, anti-bribery and corruption, prevention of money laundering and terrorist financing.

C. Board Risk Management Committee

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

The Board Risk Management Committee of Bank of Beirut comprises at least three Directors and convenes on a quarterly basis.

The Chairperson of the Risk Committee is a Board independent member who has modern and practical banking coupled with financial experience in risk assessment and management.

The Board Risk Management 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.

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.

The Committee also oversees a sound and effective internal risk management framework whereby it evaluates and manages all key business risks by administering risk policies and procedures.

D. Board Remuneration Committee

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

The Board Remuneration Committee of Bank of Beirut comprises at least three non-executive Directors.

The Chairperson to this Committee is an independent Board member who has the practical experience to evaluate performance and remunerations, as well as the required knowledge to assess associated risks, particularly in the banking or financial sector.

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 Executives and perform periodic reviews accordingly, and exercising oversight for remuneration.

The Board Remuneration 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.

VI. Management Committees

Bank of Beirut has established management Committees who are responsible for the day-to-day management of the Bank.

Each Committee functions according to its own charter, and are listed here below:

1. Asset/Liability Committee (ALCO)
2. Credit Committee
3. Information Technology Steering Committee
4. Procurement Committee
5. Asset Recovery Committee
6. Consumer Banking Committee
7. Media and Communication Committee
8. Human Resources Committee
9. Project Management Office Committee (PMO)
10. Real Estate Committee
11. Investment Committee for Funds

VII. Code of Conduct

The Bank has established a Code of Conduct Policy for its staff. This Code of Conduct is divided into 7 principles as follows:

1. General Principles
2. Business Ethics
3. Confidentiality
4. Conflicts of Interest
5. Business Relationships
6. Protection of the Bank's Assets
7. Whistleblowing Policy

In this respect, the Board must ensure that the above general principles are observed by the Directors.

Of particular importance, Directors must avoid any action, position or interest that conflict 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.

VIII. Ethical Standards

The Board expects Directors, 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.

The Board is committed to integrity and quality in its financial reporting.

Senior management must provide confirmation to the Board that the Bank's financial reports present 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.

The Bank's annual financial reports are subject to an annual audit by an external Auditor.

IX. Board meetings

The Board meets in formal sessions at least quarterly. Directors are expected to participate in all Board meetings and meetings of committees on which they serve, and to spend sufficient time to prepare for meetings.

The Chairman-General Manager will establish the agenda for each Board meeting and Directors shall be summoned at least one week before the meeting takes place and are expected to attend Board meetings.

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.

X. Board Performance

The Board recognises that it is collectively responsible for promoting the success of the Bank by directing and supervising the Bank's affairs.

In order to do so, the Board shall conduct an annual self-assessment to determine whether the Bank's various committees are functioning effectively.

Each Board Committee at the Bank shall also conduct a self-evaluation and report the results to the Board, comparing the performance of the Committee with the requirements of its written charter.