
BSL BANK SAL
CORPORATE GOVERNANCE GUIDELINES

Approved by the Board of BSL Bank SAL on 22/5/2017

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1. Purpose

- 1.1 The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of BSL Bank SAL (the “Bank”) to determine the functions and operating principles under which the Board and its Committees operate.

The Guidelines are intended to serve as a reference for Directors in focusing and evaluating the existing corporate governance framework and procedures for compliance with all applicable circulars.

In so doing, Directors can ensure that the arrangements achieve sound corporate governance and the generation of value for the shareholders (referred to as the “Shareholders”).

- 1.2 The Guidelines are a broad overview only and should not be relied on in substitution for the Bank’s Bylaws (the “Bylaws”).
- 1.3 The Company Secretary is authorised by the Board to review the guidelines annually (in consultation with the Board where necessary) and amend the guidelines from time to time to reflect changes or new procedures agreed by the Board.

2. Introduction

The Board of Directors 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 fulfills 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 international regulations as well as Banque du Liban and Banking Control Commission circulars related to prudential banking.

3. Responsibilities and Functions of the Board

The Bank'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 General Manager 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
- 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

4. Board Structure and Qualifications

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 200 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 BSL Bank SAL currently comprises eight Directors.

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.

Board Qualifications

The Board believes that the substantial majority of the members should consist of Directors who are independent. In this respect, it is the Board's policy not to have the General Manager as a Board Member.

The criteria for the selection of new Directors are aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained outstanding performance by the Bank in all respects.

These criteria also aim to ensure that any new appointee is able to contribute to the Board and exhibit the following:

- Unquestionable integrity and character
- Successful professional background
- Be capable of contributing strongly to compliance, risk management, strategy and policy;
- Provide skills and experience required currently and for the future strategy of the Bank;
- Be properly prepared for all board matters and;
- Vigorously debate and challenge management.

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 (kindly refer to Section 11 Code of Ethics for Conflicts of Interests).

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 the Bank provided compliance with Article 154 of the Code of Commerce.

A Director shall receive attendance fees ("jetons de présence") for such service as a Director.

Directors Responsibility

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 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. However, any meetings or contacts that a Director wishes to initiate with any Senior 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.

Board Committees

The Board has agreed to form the following Board Committees to assist in discharging its required duties:

- The Board Audit Committee (BAC).
- The Board Risk Committee (BRC)
- The Board Compliance Committee (BCC);

The Board has approved the respective Charters for each Committee.

5. The Board Audit Committee

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

The Audit Committee of the Bank 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.

6. The Board Risk Committee

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

The Risk Committee of the Bank comprises at least 3 non-executive Directors. It 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 Risk Committee must meet 4 times per year in scheduled meetings.

7. The 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 of the Bank comprises at least 3 non-executive Directors.

It assists the Board in fulfilling its responsibilities in relation to the compliance with all applicable laws and regulations mainly those related to Anti-Money Laundering and Counter-Financing of Terrorism. The Board Compliance Committee must meet 4 times per year in scheduled meetings.

8. Management Committees

The Bank 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 they are listed here below:

1. Management Committee
2. Assets and Liabilities Management Committee
3. Human Resources Committee
4. Information Technology Committee
5. Credit Committee
6. Anti-Money Laundering and Compliance Committee
7. Operational Risk Management Committee
8. Information Security Committee
9. Loan Recovery Committee
10. Retail Credit Committee

9. Code of Ethics

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.

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.

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.

The Audit Committee is responsible for ensuring the independence of the external Auditor. The Audit Committee reviews the reliability of financial reports issued by the Bank to ensure that the information they contain has been fairly and accurately stated.

10. Board meetings

The Board meets in formal sessions at least two times each year. 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 will establish the agenda for each Board meeting and Directors shall be invited 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.

11. 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 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.