



CORPORATE GOVERNANCE GUIDE

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Banque de Credit National S.A.L. | Strictly Private and Confidential

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A. Overview

Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole.

The Organisation for Economic Co-operation and Development (OECD) define corporate governance as involving “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders.”

Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. It defines the rights of shareholders and in addition, it specifies the rights and responsibilities attributed to the directors and managers, and spells out the rules and procedures for making decisions on corporate affairs.

Good Corporate Governance shall provide the proper incentives for the Board and management to pursue objectives that are in the interest of the Bank, its Shareholders and other stakeholders which in turn, facilitates the process of effective monitoring.

B. Preface

The Basel Committee on Banking Supervision published in July 2015 “Guidelines Corporate Governance for Banks” and defined the following 13 sound principles:

Principle 1: Board’s overall responsibilities

The board has overall responsibility for the bank, including approving and overseeing management’s implementation of the bank’s strategic objectives, governance framework and corporate culture.

Principle 2: Board qualifications and composition

Board members should be and remain qualified, individually and collectively, for their positions. They should understand their oversight and corporate governance role and be able to exercise sound, objective judgment about the affairs of the bank.

Principle 3: Board’s own structure and practices

The board should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.

Principle 4: Senior management

Under the direction and oversight of the board, senior management should carry out and manage the bank’s activities in a manner consistent with the business strategy, risk appetite, remuneration and other policies approved by the board.

Principle 5: Governance of group structures

In a group structure, the board of the parent company has the overall responsibility for the group and for ensuring the establishment and operation of a clear governance framework appropriate to the structure, business and risks of the group and its entities.²¹ The board and senior management should know and understand the bank group’s organizational structure and the risks that it poses.

Principle 6: Risk management function

Banks should have an effective independent risk management function, under the direction of a chief risk officer (CRO), with sufficient stature, independence, resources and access to the board.

Principle 7: Risk identification, monitoring and controlling

Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the bank's risk management and internal control infrastructure should keep pace with changes to the bank's risk profile, to the external risk landscape and in industry practice.

Principle 8: Risk communication

An effective risk governance framework requires robust communication within the bank about risk, both across the organization and through reporting to the board and senior management.

Principle 9: Compliance

The bank's board of directors is responsible for overseeing the management of the bank's compliance risk. The board should establish a compliance function and approve the bank's policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

Principle 10: Internal audit

The internal audit function should provide independent assurance to the board and should support board and senior management in promoting an effective governance process and the long-term soundness of the bank.

Principle 11: Compensation

The bank's remuneration structure should support sound corporate governance and risk management.

Principle 12: Disclosure and transparency

The governance of the bank should be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.

Principle 13: The role of supervisors

Supervisors should provide guidance for and supervise corporate governance at banks, including through comprehensive evaluations and regular interaction with boards and senior management, should require improvement and remedial action as necessary, and should share information on corporate governance with other supervisors.

In the spirit of the above BCN here below has prepared its Corporate Governance Guide

C. Corporate Governance Aims and Approach

BCN's Corporate Governance aims are as follow:

1. Define the relationships between a bank's management, its board, shareholders and other stakeholders.
2. Provide a structure through which the bank's objectives are set, and how they are achieved and monitored.
3. Recognize the value of business ethics and corporate awareness to reputation and long-term success.

To implement these Corporate Governance aims BCN adopts an approach based on the following Four Pillars:

A. Accountability

- Ensure that management is accountable to the Board
- Ensure that the Board is accountable to shareholders

B. Fairness

- Protect Shareholders rights and Stakeholders interests
- Provide effective redress for violations

C. Transparency

- Ensure timely, accurate disclosure on all material matters, including the financial situation, performance, ownership and corporate governance.

D. Independence

- Procedures and structures are in place so as to minimize, or avoid conflicts of interest.
- Protect against the influence of others

D. BCN Milestones

- In 1929 the bank established and named Banque Jacob E. Safra is one of the oldest Banks in Lebanon.
- In 1956 the bank changed its name to Bank de Credit National S.A.L.
- In 1959 BCN was registered at the Commercial Registry of Beirut under No. 8220.
- In 1965 BCN was registered at the Central Bank No. 36 on list of Banks.
- In 2004 BCN was acquired by Messrs Abdallah Tamari and Andre Boulos.
- In 2010 BCN was acquired by Mr. Lutfi el Zein and Medgulf S.A.L.
- In 2012 BCN's shareholders increased its capital by LBP 12.5 billion.
- In 2013 BCN opened its second branch in Verdun, Beirut
- In 2014 BCN opened its third branch in the city of Tripoli
- In 2016 BCN relocated its head office and main branch to the Medgulf building, B.C.D.
- In 2019 the controlling majority of BCN was acquired by a group of investors accompanied by a capital increase of USD 30 million.

In 2019, the Bank set itself a new direction and objectives under new ownership (including enhancing its corporate governance framework). Since then, the Bank has witnessed an outstanding growth both in capital and operation size, with a vision aiming to climb up the rankings into becoming one of the

Top 10 Banks in Lebanon. The plan started with a fresh capital injection that almost tripled the equity base of BCN to support the anticipated growth.

The strategy of the new shareholders is to grow the Bank in a number of niche areas.

As a new management team took over, the organizational structure was also revamped by introducing new divisions, business lines and an enhanced culture.

Despite the challenging economic environment in Lebanon and regionally, BCN has managed to improve its financial performance during the year 2019.

E. Shareholders*

Shareholders Name	% Ownership
Hicham Itani	44.57 %
Walid Zeidan	18.10 %
Khaled Zeidan	11.42 %
Gina Kalaaji Arab	8.23 %
Medgulf Financial Holding	4.94 %
Mohammad Amin Itani	4.39 %
Saleh Al Sagri	4.36 %
Jihad Bassil	3.84 %
Board Members	0.15 %
Total	100.00%

*As of February 2019

The Lebanese Code of Commerce has defined the rights of Shareholders, including the right to vote at Assemblies, the right to receive dividends, the right to assign their shares, the right to subscribe to capital increases, and in the event of dissolution of the Bank and where sufficient assets remain, the right for refund of the nominal amount of their shares on a pro rata basis with all the other shareholders, without prejudice to the anteriority rights of priority shares.

The Bank applies the rules and regulations stipulated by the Lebanese Code of commerce and as otherwise included in the Articles of Association (By-Laws).

F. Board of Directors

Name	Independent	Committees			
		Audit	Risk	Remuneration	AML
Khaled Zeidan (Chairman)			*		
Mazen Soueid	*		*	*	
Nasri Malhame	*	*	Chairman		
Philippe Dagher	*			Chairman	*
Fadi Makki	*				Chairman
Leila Hammoud	*	Chairman			*
Gina Kalaaji Arab		*		Secretary	
Saleh Al Sagri	*				
Head of Audit Department		Secretary			
Head of Risk Department			Secretary		
Head of Compliance AML					Secretary

The Board of Directors is entrusted with the duty of ensuring the proper management of the Bank in the best interest of its shareholders, depositors, and other stakeholders, in accordance with applicable laws and regulations.

This duty is not subject to any delegation and is proper to the Board who shall assume the final responsibility towards the shareholders and all stakeholders regardless of whether the Board constitutes special committees or empowers other persons or entities to undertake specific tasks or responsibilities.

The members of the Board are made aware of the text of laws related to the civil and criminal responsibilities that they will assume while carrying out their duties.

1. Election of the Directors

- The members of the Board of Directors are elected by the Ordinary General Assembly in accordance with the stipulations included in the Bank's By-Laws, established in line with the Lebanese Code of Commerce.
- Each Board member must possess the minimum number of ordinary shares stipulated in the Bank's By-Laws, to be taken against the responsibilities entrusted to them. These shares may not be assigned unless after the discharge of members of the Board.

2. Composition of the Board

- The Board of Directors shall comprise a minimum of three (3) members and a maximum of twelve (12) members.
- The Directors should comply with the conditions stated in the Code of Commerce and the Code of Money and Credit.
- The majority of the Board should be formed of members of Lebanese nationality.
- The majority of the Board of Directors shall be formed of non-executive members.

A non-executive Board member is the one who meets all of the following characteristics:

1. Has no administrative function at the Bank;
 2. Is not assigned with any executive tasks in the Bank;
 3. Does not currently perform any consultative work to the “Executive Senior Management” or has not carried out any assignment during the past two (2) years preceding his/her nomination as a board member.
- The Board shall include “Independent” members whose qualifications will be aimed towards promoting the effectiveness of the Board. At least two (2) independent members shall be elected, in the light of the size and complexity of the Bank’s operations, its risk structure as well as any applicable regulatory framework.

An independent Board member is the one who meets all of the following characteristics:

1. Is a Non-Executive Board Member.
2. Is not a major shareholder who owns, directly or indirectly, more than 5% of the Bank’s total shares or voting rights related to these shares; whichever is greater.
3. Is independent of any person from the Bank’s “Executive Senior Management” and of its major shareholders in the sense that there is no work relationship with anyone of them currently or during the past two years preceding his/her election as a Board member.
4. Has no family-relationship with any of the major shareholders until the fourth degree.
5. Is not any of the Bank’s debtors.

3. Fundamental Duties

The Board of Directors shall promote an environment of transparency. The conduct of Board members will reflect the principles of integrity and ethical values. Each Board member will abide by the following fundamental duties towards the Bank:

- **Duty of Care:** Board members must be fully aware of all relevant issues and their decisions made independently when voting on certain matters.
Board Members should devote the necessary time and effort to fulfil their tasks and responsibilities.
Newly elected Board members shall upon their election, familiarize themselves with the Bank structure, Management and all other information enabling the said Board member to assume his/her role and responsibility.

- **Duty of Loyalty:** Board members owe a duty of loyalty to the Bank. This requires Board members to safeguard the interests of the Bank.
Board members should not have any potential conflict of interest that would constitute a violation to the applicable laws and regulations.
- **Duty of Compliance with Authorities:** Board members must act within the scope of authority entrusted to them under the Bank's By-laws and the applicable Lebanese laws and regulations.

4. Confidentiality

Directors are bound by their confidentiality obligations even after their tenure on the Board ends and by the Banking Secrecy Law.

Information regarding the strategy and business of the Bank or any other information that a Board member had access to during his / her term or afterwards, cannot be, in any way, disclosed. Also, Board members shall not utilize such information for their private benefit in a way detrimental to the Bank's stakeholders.

5. Chairman of the Board

a. Election

The Board of Directors elects the Chairman from among its members in conformity with article 144 of the Code of Commerce and the Bank's By-Laws, for a period that may reach that of the member's term.

b. Role of the Chairman

As per the Lebanese law, the Chairman of the Board is also the General Manager.

The Chairman provides leadership to the Board and is responsible for the Board's effective overall functioning. He shall ensure that Board decisions are taken on a sound and well-informed basis and should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision making process.

The Chairman is responsible for implementing the Board's decisions and overseeing the daily business of the Bank.

The Chairman may suggest to the Board the appointment of one or more General Manager(s) and or Deputy General Managers and grant them powers to that effect, who shall act for account and under the full responsibility of the Chairman.

6. Meetings' Frequency

The Board of Directors shall hold regular meetings (not less than four (4) meetings per year), of which two (2) meetings at least shall be held in Lebanon. Directors are expected to attend the Board meetings and meetings of Committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The Board can convene immediately for exceptionally urgent cases.

G. Board of Directors Responsibilities and Authorities

The Board has the duty to implement the General Assembly's decisions and to carry out all activities required for the proper functioning of the Bank, which are not categorized as daily activities.

In accordance with the applicable laws and regulations and in fulfilling its overall duties, the Board of Directors shall:

- Safeguard the interest of Shareholders and all other Stakeholders including customers, employees and the community
- Convene the Shareholders' General assemblies and execute the related decisions
- Adopt a Corporate Governance framework in line with the regulatory requirements and international best practices
- Establish the tone at the top in setting professional standards and corporate values that promote integrity for itself, Senior Management and other employees
- Review at the end of each financial year, the Bank's audited balance sheet and profit and loss account, to be submitted for approval to the Ordinary General Assembly of Shareholders. These shall be subsequently published in the official gazette, in an economic newspaper and in a local daily newspaper.
- Review and approve the Bank's policies and the internal control systems

The Board has overall responsibility of the Bank, including adopting and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values, in addition to ensuring that adequate, effective and independent controls are in place as depicted hereafter:

1. Planning Activities

The Board shall approve the overall business strategy of the Bank, taking into account its long-term financial interests and safety.

The Board should set performance objectives for Senior Management consistent with the long-term goals, strategy and financial soundness of the Bank, and monitor their performance against these objectives.

2. Oversight Role

- The Board shall ensure that an appropriate management structure is in place that is commensurate with the size and complexity of the Bank and its business.
- The Board shall regularly monitor, question and critically review Senior Management's actions to ensure that they are consistent with the risk strategy and policies approved by the Board, including the risk tolerance/appetite.
- The Board shall regularly review processes and controls with Senior Management and/or internal control functions (including internal audit, risk management and compliance) in order to identify and address significant risks and issues as well as to determine areas needing improvement.
- Ensure that the control functions are properly positioned, staffed and resourced and are carrying out their responsibilities independently and effectively.
- Adopt a corporate governance framework in line with the present guidelines

- Adopt and ensure the wide internal communication of a bank's code of conduct (articulating acceptable and unacceptable behaviors), a set of corporate values and procedures allowing communication by employees, independently from the internal "chain of command" of legitimate concerns about questionable practices. The board should also determine how and by whom such legitimate concerns shall be investigated and addressed;
- Approve Credit Facilities and Loans above USD 1 Million.
- Approve Correspondent Bank lines.
- Approve the classification of loans and the transfer of problem loans to litigious accounts and/or to Remedial.
- Ensure that related party transactions are performed at arm's length and approved by the board and the shareholders in compliance with applicable laws and regulations governing transactions with related parties (notably the provisions of article 152 of the Code of Money and Credit and article 158 of the Code of Commerce). The board shall also ensure that a summary of such transactions are disclosed in the reports;
- Ensure that the control functions are properly positioned, staffed and resourced and are carrying out their responsibilities independently and effectively;
- Establish the "tone at the top" in setting professional standards and corporate values that promote integrity for itself, senior management and other employees;
- Regularly review major policies, processes and controls with senior management and/or internal control functions (including internal audit, risk management and compliance) in order to determine areas needing improvement, as well as to identify and address significant risks and issues.
- In discharging these responsibilities, the board should take into account the legitimate interests of shareholders, depositors and other relevant stakeholders. It should also ensure that the bank maintains an effective relationship with its supervisors.
- In bearing his share of the collective responsibilities of the board, each board member has a "duty of care" and a "duty of loyalty" to the bank and should engage actively in its matters and stay adequately informed of internal and external factors affecting business.
- The board is also responsible for providing oversight of senior management. In discharging its management oversight responsibility, the board has elected the chairman from among its members. In application of current Lebanese legislation, the chairman of the board acts as general manager and all management action are taken on his account and under his responsibility;
- Ensure that the bank's organizational structure facilitates effective decision making and good governance. This should include setting and enforcing lines of responsibility and accountability throughout the organization, which define clearly the key responsibilities and authorities of the board itself, as well as senior management and the control functions.

Any meetings or contacts that a Board member wishes to initiate with the Bank's Senior Management shall be arranged through the Chairman or the Deputy Chairman or the Board Committees;

3. Appointment and Dismissal of Key Positions

Based on the suggestion of the Board Chairman, the Board shall appoint one or more General Managers, Deputy and/or Assistant General Managers, who possess integrity, professional competence and financial experience. The remuneration of the General Manager(s) and Deputy General Manager(s) will be decided by the Board of Directors based on the suggestion of the Remuneration Committee.

In addition, and as required by the regulation, the Board will approve the designation of the Chief Risk Officer and the Head of the Internal Audit. Also, the Board shall take note of the appointment and removal of some other key positions at the Bank mainly the Chief Financial Officer and Chief Compliance Officer.

The appointment, compensation and dismissal of external auditors, is decided by the Shareholders' General Assembly, based on the proposal of the Board as recommended by the Audit Committee;

4. Reporting

The Board of Directors and the External Auditors shall regularly provide reports to Shareholders, as stipulated by the Lebanese laws & regulations

The Board of Directors shall publish within the two months' period that follows the approval of the end of year Bank accounts by the General Assembly of Shareholders, the names of the Board members and the External Auditors, the Bank's balance sheet, along with the main financial information, in the official gazette, in an economic newspaper and in a local daily newspaper.

The Directors, through the Board Chairman, shall receive all documents / reports addressed to them, emanating from the External Auditors, Banque du Liban and the Banking Control Commission.

5. Liabilities of Board Members

Board members shall be liable for the proper conduct of the business entrusted to them in accordance with the provisions of Article 166 and 167 of the Code of Commerce.

The Board members whether individuals or institutions are held responsible for their directorship term, on all their assets whether movable or immovable and these assets may be provisionally seized in case the Bank is in default of payment in conformity with law No. 2/67 of 16 January 1967.

6. Board Committees

The Board shall establish Committees, from among its members, to assist it in carrying out its responsibilities and shall fix the remuneration of the Committee members.

The Committees ensure that the board of directors works professionally so that it functions in accordance with the principles of corporate governance. For the proper implementation of corporate governance, it is imperative that the majority of committee members be independent and selected in a transparent manner.

Certain responsibilities are delegated to Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management.

The Board shall have, at a minimum, four Board Committees as listed hereafter, in line with the regulatory requirements and international best practices. The Board shall establish other Board Committees as deemed necessary to help it discharge its responsibilities.

A Charter will be enacted for each Committee to define its scope of work, membership, organization, authority and responsibility.

The Chairman of each Board Committee reports to the Board on the matters discussed at Committee meetings.

a. Audit Committee

Assist the Board of Directors in carrying out its duties and supervisory role in relation to the requirements of internal control and internal auditing, especially with regard to:

- Defining and evaluating the qualifications and independence of the external auditors and the internal audit unit.
- Monitoring the integrity of the financial statements and reviewing the standards of disclosure approved by the bank.
- The adequacy and effectiveness of internal control systems and procedures.
- Follow-up on the proper implementation of the corrective suggestions contained in the reports of the internal audit unit, the supervisory authorities and the auditors.
- Monitoring the bank's compliance with the regulations and recommendations issued by the Banque du Liban and by the Banking Control Commission.

Responsibilities:

With regard to supervising the work and tasks of internal audit:

- Direct control over the unit to ensure the extent of its independence from the higher executive management and its objectivity in the exercise of the tasks entrusted to it and that it has sufficient powers in auditing and has the necessary human and material resources to accomplish its tasks.
- Express opinion on the unit's allocations and submit a recommendation to the Board of Directors.
- Evaluating the performance of the unit and the performance of its head, provided that the observations issued by the supervisory commissioners and the recommendations of the supervisory authorities are taken into consideration.
- To suggest approval of the appointment, dismissal, or acceptance of the resignation of the unit head.
- Reviewing the unit's reports and holding periodic sessions (at least quarterly and when the need arises), with the attendance of the unit's head, and at least once a year without the presence of any of the "senior executive management" members, devoted to discussing the reports submitted by the unit.
- Approval of each of the internal audit charter related to the unit, the audit cycle and the annual audit plan stipulated in Basic

With regard to internal control:

- Reviewing internal control systems, policies and procedures, including measures to combat money laundering and terrorist financing, and to ensure their adequacy and effectiveness.
- Holding periodic sessions (at least quarterly and when the need arises) with the senior executive management to discuss the adequacy and effectiveness of internal control in light of the reports issued by the internal audit unit, the higher executive management, the supervisory commissioners, or the supervisory authorities about weaknesses in internal control.
- Ensure that the senior executive management addresses the recommendations and observations related to weaknesses in internal control.

- Reporting to the Board of Directors of all information required to assist in performing its supervisory role and implementing the IFRS 9 International Financial Reporting Standard

With regard to the appointment and follow-up of the work of the External Auditors:

- Express an opinion of the external auditors before their appointment, after ensuring that they have adequate human and material resources, ethical standards, and scientific and practical expertise to carry out auditing work in proportion to the size of the bank and the degree of complexity and complexity of its operations.
- Propose the conditions to be met by the external auditors and proposing their annual allocations.
- Review the plan that includes the work program prepared by the auditors contracted with them in order to ensure that all risks to which the bank is exposed are covered.
- Evaluate the performance, independence and objectivity of the auditors.
- Discuss the financial statements prepared for publication with the higher executive management and with the auditors.
- Discuss the most important observations and recommendations contained in the auditors' reports and submitting a report to the Board of Directors regarding them.
- Define the special audit tasks that need to be assigned to the external auditors, with specifying the terms of this assignment.
- Meet every six months, at least and whenever needed, with the auditors to discuss the results of their work.

Meetings and decision making:

- The committee meets once every three months. Its quarterly meetings are scheduled at the beginning of each year.
- The committee can hold extraordinary meetings when needed.
- Meetings will be chaired by the president of the committee.
- Committee meetings are considered legal with the attendance of at least 3 members, including the chairman.
- The committee's decisions are taken by an absolute majority of those present when voting, and in the event of a tie, the president's vote is the most likely.

b. Risk Committee

Assist the Board in fulfilling its risk-related duties and to oversee the proper implementation of the risk management principles.

Responsibilities:

- Recommends total level of risk the bank is prepared to take (risk appetite) to the Board.
- Monitors risk appetite.
- Reviews limits for individual types of risk.
- Monitors the risk profile.
- Obtains assurance that principal risks have been properly identified and are being appropriately managed.

Meetings and decision making:

- The committee meets once every three months. Its quarterly meetings are scheduled at the beginning of each year.
- The committee can hold extraordinary meetings when needed.
- Meetings will be chaired by the president of the committee.
- Committee meetings are considered legal with the attendance of at least 3 members, including the chairman.
- The committee's decisions are taken by an absolute majority of those present when voting, and in the event of a tie, the president's vote is the most likely.

c. AML / CFT Committee

Assist the Board of Directors in carrying out its duties and supervisory role by establishing a specialized committee based on the BDL requirements Circular No. 83 and its amendments related to monitoring the financial and banking operations to combat money laundering and terrorist financing operations, especially Articles 10 and 11 thereof, and in order to activate the monitoring and follow-up on anti-money laundering operations in the bank.

Support the Board of Directors in fulfilling its responsibilities and oversight role with respect to fighting money laundering and terrorist financing.

Responsibilities:

- a. Establish a procedures manual for implementing the rules stipulated in the Anti-Money Laundering and Terrorism Financing Law and the provisions of this regulation.
- b. Establishing a form to know customers (KYC: Know Your Customer) and to monitor financial and banking operations to avoid involvement in money laundering operations, which includes the basic information that must be provided about customers, especially their economic and / or professional activity, the nature of their work, their financial status, address and place of residence that are clearly indicated, provided that all of that is supported by documents and official papers.
- c. Verify the proper implementation and effectiveness of the procedures and systems to combat money laundering and terrorist financing operations that are put in place.
- d. Review periodically the above-mentioned procedures and systems and develop them according to the latest used methods.
- e. Establish a program to train employees on methods of monitoring financial and banking operations in accordance with the procedures manual prepared by it and the other legal and regulatory texts in force.
- f. Review the reports referred to it from the Internal Control Department and the Internal Audit Department regarding suspicious transactions and high-risk accounts in terms of deposits, cash withdrawals, and transfers, and their connection to specific economic activities and countries, in addition to following up on new accounts and updating old accounts.

- g. Express an opinion on the reports referred to in paragraph (f) above and submit it to the Board of Directors when needed.

Meetings and decision making:

- The committee meets once every three months. Its quarterly meetings are scheduled at the beginning of each year.
- The committee can hold extraordinary meetings when needed.
- Meetings will be chaired by the president of the committee.
- Committee meetings are considered legal with the attendance of at least 3 members, including the chairman.
- The committee's decisions are taken by an absolute majority of those present when voting, and in the event of a tie, the president's vote is the most likely.

d. Remuneration Committee

Banks in Lebanon are required by the Banking Control Commission under Circular 262 to have a Succession Plan for key positions.

Ideally a Nominating/Corporate Governance Committee, together with the Board, should ensure the succession planning of Board members as well as General Managers. In addition, a **Succession Planning Committee** should be responsible for setting and reviewing the succession plan for Senior Executives (Heads of Divisions, Departments and Units) with oversight of the succession Plan Branch Managers.

The Succession Committee should periodically report to the Board on succession planning. Succession planning should include policies and principles for Chairman's selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the Chairman.

The Succession Committee, together with the board, should actively conduct succession planning for the board of directors. The committee should proactively identify director candidates by canvassing a variety of sources for potential candidates and retaining search firms. Shareholders invested in the long-term success of the company should have a meaningful opportunity to nominate directors and to recommend director candidates for nomination by the committee, which may include proxy access if shareholder support is broad based and the board concludes this access is in the best interests of the company and its shareholders. Although the CGM meeting with potential board candidates is appropriate, the final responsibility for selecting director nominees should rest with the Nominating/Corporate Governance Committee and the Board.

Planning for CGM and Senior management development and succession in both ordinary and emergency scenarios is one of the board's most important functions. Some boards address succession planning primarily at the full board level, while others rely on a committee composed of independent directors (often the compensation committee or the nominating/corporate governance committee) to address this key area.

In absence to the above committees the Remuneration committee will prepare and review periodically a Succession plan policy.

The Remuneration Committee will ensure that the Bank has established comprehensive Remuneration policies & procedures and submit to the Board proposals about Senior Executive Management remunerations.

- **The Remuneration policy**

The Remuneration policy relates to the level and structure of the remuneration package for the Board of Directors, Senior Management, top executives, control functions and all levels and categories of employees. The policy provides a framework for compensations paid to Board members and Senior Managers ensuring that such compensations are evaluated on the basis of the long-term performance of the Bank. It also aims to provide clarity on how employees of the bank will be paid and what benefits they may receive. It also covers all categories of remunerations and their granting conditions in order to contribute to the enhancement of the Bank's general long-term performance from both a financial and non-financial standpoint and to achieve the purpose for which those remunerations were granted.

The board should ensure that compensation policies and practices are consistent with the bank's corporate culture, long-term objectives and strategy, and control environment.

Failure to link incentive compensation for members of the board of directors and senior management to the long-term business strategy can result in actions that run counter to the interests of the bank and its stakeholders. This could be the case where business is booked based upon volume and/or short-term profitability to the bank with little regard to short- or long-term risk consequences.

Remuneration of Board members is decided by the Ordinary General Assembly in compliance with the applicable Lebanese Laws and the Bank's By-Laws.

Responsibilities:

- Review the Remuneration Policy and the Remuneration System approved by the Board in case of amendment and submit them both to the Board of Directors for approval.
- Supervise the proper implementation of both the Remuneration Policy and Remuneration System.
- Review periodically, at least annually, the rules/principles on the basis of which the Remuneration Policy is implemented and to submit to the Board of Directors any related recommendations concerning the Policy modification and update.
- Assess periodically the "Remuneration Policy" efficiency and effectiveness in order to ensure that its objectives are reached, and to request from the Senior Executive Management the information needed for the assessment.
- Evaluate accurately the total granted remunerations, and compare them against the future expected revenues in order to avoid any likely negative results.
- Submit to the Board of Directors specific proposals about the Senior Executive Management remunerations.
- Make sure that BDL circulars on Remunerations have been forwarded to all the employees of the bank and that the Remuneration Policy complies with BDL regulations.
- Verify that the disclosure principles adopted by the bank are consistent with the provisions of Articles 13 and 14 of the Decision No 11821 of August 6, 2014, relating to Remunerations and Bonuses granted to Bank Employees (**BDL Basic circular 133**).

Oversight on the Remuneration System:

- **Employees Performance Evaluation System**

In order to evaluate the performance of all-level employees in an objective and transparent manner, the Board of Directors of BCN shall set a written system that includes, at least, the following elements:

- 1- Employee's commitment to the Risk Management policy and procedures.
- 2- Total revenues or profits generated by the employee for the bank.
- 3- The risks associated with the operations performed by the employee.
- 4- Evaluation of the employee's individual contribution to the bank's overall performance.
- 5- Other elements, according to the nature of the work.

The performance of Senior Executive Management employees shall be evaluated on the basis of the bank's long-term performance, not on the sole basis of previous year performance.

The RC shall coordinate closely with the Risk Management committee, upon assessing the remunerations and their related risks and upon reviewing the Remuneration Policy, in order to ensure efficiency and adequacy to "effective performance"

- The above Committees conduct an annual review of the Chairman's Performance, as set forth in its charter, and advise the Board of its determination

Meetings and decision making:

- The committee meets once every six months upon the call of its Chairman. Its semi-annual meetings are scheduled at the beginning of each year.
- The committee can hold extraordinary meetings when needed.
- Meetings will be chaired by the president of the committee.
- Committee meetings are considered legal with the attendance of at least 3 members, including the chairman.
- The committee's decisions are taken by an absolute majority of those present when voting, and in the event of a tie, the president's vote is the most likely.
- Committees discussions, recommendations and decisions minutes shall be submitted directly to the Board of Directors

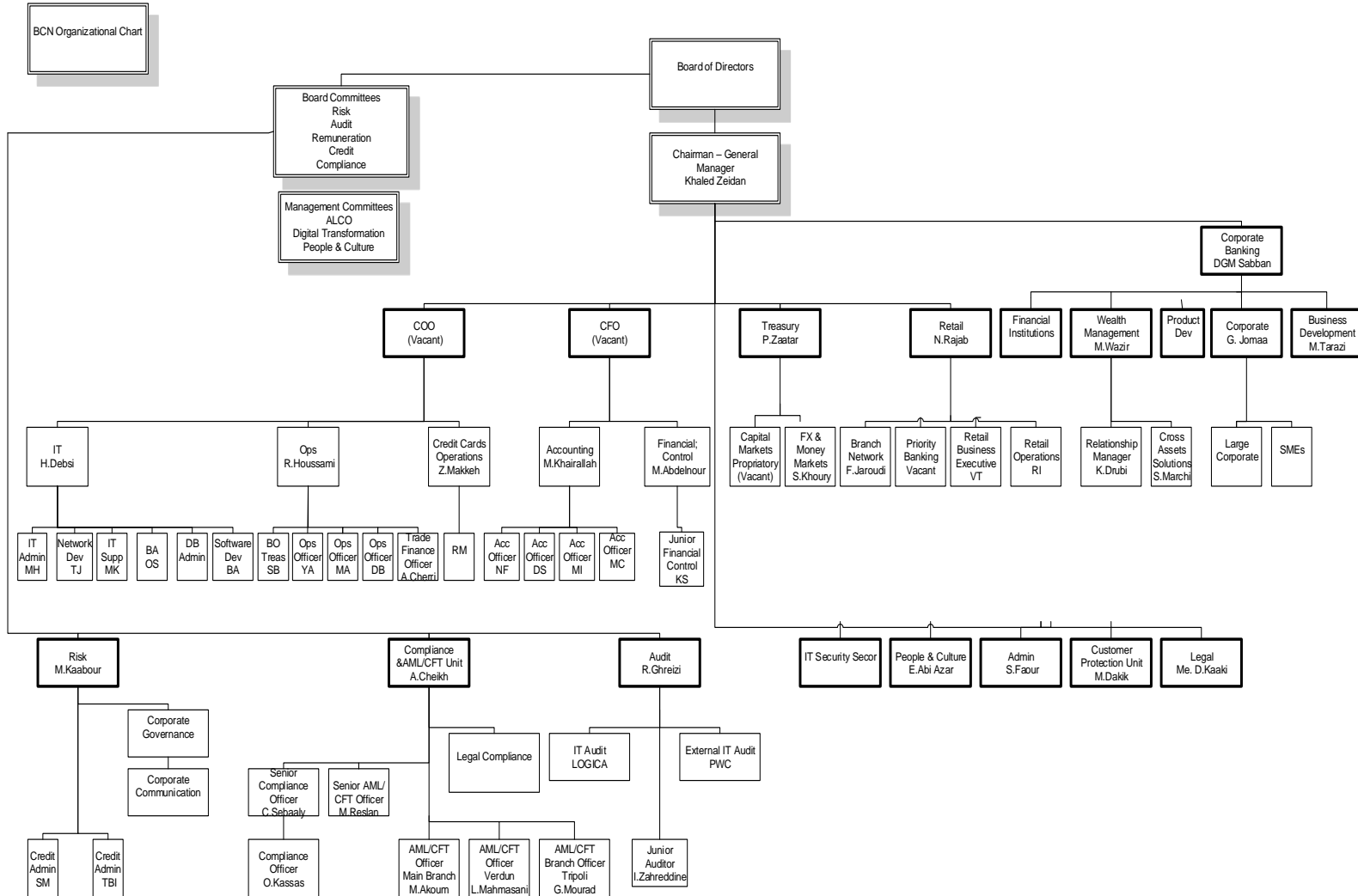
H. Organizational Chart

An Organizational chart is a good tool to chart the organization structure.

Top benefits to use organizational chart are:

- Help build and design the organization structure to meet the business' objectives.
- Guide the employees to know their rights and responsibilities.
- Divide the functions of the bank
- Show the relationships between the staff members.
- Find if people are incompetent of work at important positions.
- Make everyone clear within their organizations and improve employee performance
- It's easy to see the promotion channels open.

- Managers use the organizational chart tool to analyse budget, design work team and generate reports.
- Outline employee tasks and which manager is responsible for overseeing each employee.



I. Senior Management, Roles and Responsibilities

Senior Management undertakes and manages the Bank's activities under the direction and oversight of the Board. Members of Senior Management are responsible and are held accountable for overseeing the day-to-day management of the Bank.

Senior Management shall have the necessary experience, competencies and integrity to manage the businesses and people under their supervisions.

These individuals contribute to the Bank's sound Corporate Governance through personal conduct; i.e., by helping to establish the "tone at the top" along with the Board.

In order to fulfil its responsibilities, Senior Management shall:

- Develop strategic and operational plans and risk management policies for approval by the board of directors
- Ensure that the Bank's activities are consistent with the business strategy, risk appetite, operational plans and policies approved by the Board.
- Implement business strategies, risk management systems, risk culture, processes and controls for managing the risks to which the Bank is exposed
- Develop written policies, procedures, and standards to address critical processes, mission activities and controls of the Bank ensuring they address complying with key laws and regulations applicable to the bank.
- Delegate duties to the bank's staff and establish a management structure that promotes accountability and transparency throughout the Bank
- Implement timely corrective action on significant control deficiencies and issues that were reported by the Bank's external or internal auditors, and governmental authorities.
- Provide the Board with the information it needs to carry out its responsibilities and keep it regularly and adequately informed of material matters.

Senior Management will execute its responsibilities through specialized Committees, approved by the Board of Directors, in matters of investment and lending, such as the Executive Committee, Credit Committees and Assets & Liabilities Management Committee. Members of these Committees will include senior staff, having the responsibility to set strategies and take decisions as necessary for the development of the Bank's activities.

J. Integrity, due skill, care and diligence

In application of the BDL circular 134, BCN conducts its business with integrity, high ethical standards, due skill, care and diligence.

BCN takes reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems and financial resources.

BCN takes reasonable care to keep secure from unauthorized disclosure; any confidential information it receives on clients, or any details of the transactions of its clients, only releasing information when required, or specifically permitted by laws and regulations.

BCN takes reasonable care to ensure their use of technology and systems protects clients and the banking system as a whole and does not subject its clients nor the system to unnecessary loss.

Customer conduct

BCN pays due regard to:

- The interests of its customers and treats them fairly,
- Customer complaints and deals with them promptly, efficiently and fairly,
- The specific needs of the elderly and disabled,
- The training needs of staff to allow the provision of guidance on:
 - The suitability of its products and services for its retail clients,
 - Its advice for any customer who is entitled to rely upon its judgment.
- Provide the customer with a copy (or make a copy available to the customer) of the contract, transaction or agreement before, or at the time it takes effect,
- The information needs of its customers/clients, and communicate information to them in a way which is clear, fair and not misleading. Full disclosure of all relevant material information in a way that seeks to inform the customer, including providing statements of transactions periodically and upon request.
- Deposit & savings rates, are to be published in an accessible format & periodically updated.
- Client instructions are executed promptly so as not to cause financial loss. If any request cannot be executed due to any legal or regulatory reason, BCN will notify the client promptly where this does not conflict with the relevant law or regulation.

In respect of retail clients utilizing credit facilities BCN additionally:

- Takes reasonable care to ensure the borrower and any guarantor is aware of the obligations they are undertaking,
- Is transparent in advising applicable interest rates, service charges and fees on websites or on notice boards in branches. In particular, effective interest rates are published and not flat rates of interest. When terms such as cost of funds or base rate are used the basis of the calculation are clear to the market and to customers.
- Does not exceed its published rates and does not impose hidden charges, penalties or levies that are not contracted or agreed upon.
- Provides clients facing financial difficulties with support for the management of their indebtedness,
- Tries to develop a repayment plan with the client before resorting to external debt collection, or legal action,
- Gives the client prior notices, where possible, of the appointment of debt collection lawyers and takes reasonable steps to ensure any such lawyers perform their duties ethically and responsibly.
- Information is given in English or Arabic and may optionally be given in such other language as may be suitable for its client mix.
- Provides adequate protection for clients' assets when it is responsible for them, particularly any outsourced arrangements
- Ensures all its advertising and promotional material is clear, fair and not misleading.

K. Code of Conduct

The Bank and all its employees must, at all times, comply with applicable laws and regulations. The Bank will not condone the activities of employees who achieve results through violation of the law or any other unethical business dealings. This includes any payments for illegal acts, indirect contributions, rebates and bribery.

The bank does not permit any activity that fails to stand the closest possible public scrutiny.

All business conduct should be well above the minimum standards required by the law. Employees must ensure that their words and actions cannot be interpreted as being, in one way or another, in contravention to existing laws and regulations, in particular, those laws and regulations that govern the banking profession in Lebanon and in the countries where the Bank operates.

In trying to achieve the above, the Human Resources Department will endeavour, through its recruitment policies, to ensure that background checks are made for all potential candidates to ensure that the candidate's history, references and other material supplied are not indicative of issues relating to general conduct in the society or at their previous employment place.

Employees who are not certain about the application or the interpretation of any legal or regulatory requirement should raise the matter with their immediate supervisor, who, if necessary should seek the advice and interpretation from the Head of HR.

The Bank encourages employees to report any observed errors or gross negligence that could harm the bank, or suspected illegal or unethical behaviours, to their supervisors, or to the Senior Management.

The Bank will ensure that employees at all levels understand the core values of the Bank and that they will be held accountable for their actions.

Types of Incidents to be reported:

- Violations of Governmental laws and regulations
- Fraud and conflict of interest
- Falsification and destruction of Bank's records
- Workplace violence
- Substance abuse
- Discrimination and unethical behaviour
- Sexual harassment
- Release of proprietary information

General Conduct of Employees

The Bank expects all of its employees to conduct themselves in a business-like manner. Gambling, fighting, swearing and similar unprofessional behaviour are strictly prohibited while on the job.

Employees must not engage in sexual harassment or any behaviour that could potentially be perceived to be sexual harassment. Similarly, employees should not conduct themselves in ways that may be construed as such, for example, by using inappropriate language, keeping or posting inappropriate material in their work area, or accessing inappropriate material on their computer.

Employees must not engage in political, ethnical or religious harassment and any similar conduct.

Such actions will not be tolerated and will expose the employee in question to the most severe punishment under the law.

Conflict of Interest

The Bank expects all its employees to perform their duties conscientiously, honestly and in accordance with best practice and the best interest of the Bank.

Employees should not use their designated positions within BCN or the knowledge they gained through their employment with BCN for private or personal advantage or the private and personal advantage of their related parties.

If, for any reason, an employee believes or senses that a certain course of action may involve him in a potential or perceived conflict of interest with the Bank, the employee should immediately notify his immediate supervisor.

Outside Activities, Employment and Directorships

All employees should share the responsibility for BCN's outstanding public image and relations, especially at the community level.

Employees readiness to help and assist charitable, educational, civic and professional activities bring credit to the Bank and is encouraged. However, all such activities should be pre-approved by General Management before the employee embarks in any such efforts.

However, employees must avoid acquiring any business interest or participating in any other commercial activity outside the Bank unless this has been pre-approved by General Management.

Conflicts of Interest and Transactions with Related Parties

Conflict of interests arises from the activities and transactions undertaken by the bank and its stakeholders. A related party transaction is any direct or indirect transaction between the bank and members of its Board of Directors, persons in charge of its management, its major shareholders and their relatives.

The Board's responsibility is to ensure that the bank has developed and implemented policies to identify and manage potential conflicts of interest based on the permissibility of relationships or transactions under sound corporate policies, consistent with the Lebanese laws and regulations, mainly the Code of Commerce and the Code of Money and Credit.

In addition, the Board has to ensure that related party transactions are performed at arm's length and approved by the Board and the Shareholders in compliance with applicable laws and regulations governing the transactions with related parties mainly the provisions of article 152 of the Code of Money and Credit and article 158 of the Code of Commerce.

Both of the Board and External Auditors, separately, shall submit a report to the Shareholders Assembly concerning the proposed transactions with related parties, upon which, Shareholders approve, amend or reject such transactions.

Integrity, due skill, care and diligence

In application of the BDL circular 134, BCN conducts its business with integrity, high ethical standards, due skill, care and diligence.

BCN takes reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems and financial resources.

BCN has and employ effectively the resources, policies and procedures, processes, systems and control checks, including compliance checks and staff training that are necessary for compliance with and understanding of this Code and the bank's own code of conduct/ethics.

BCN takes reasonable care to keep secure from unauthorized disclosure; any confidential information it receives on clients, or any details of the transactions of its clients, only releasing information when required, or specifically permitted by laws and regulations.

BCN takes reasonable care to ensure their use of technology and systems protects clients and the banking system as a whole and does not subject its clients nor the system to unnecessary loss.

Customer conduct

BCN must pay due regard to:

- The interests of its customers and treat them fairly,
- Customer complaints and deal with them promptly, efficiently and fairly,
- The specific needs of the elderly and disabled,
- The training needs of staff to allow the provision of guidance on:
 - The suitability of its products and services for its retail clients,
 - Its advice for any customer who is entitled to rely upon its judgment.
- Provide the customer with a copy (or make a copy available to the customer) of the contract, transaction or agreement before, or at the time it takes effect,
- The information needs of its customers/clients, and communicate information to them in a way which is clear, fair and not misleading. Full disclosure of all relevant material information in a way that seeks to inform the customer, including providing statements of transactions periodically and upon request.
- Deposit & savings rates, are to be published in an accessible format & periodically updated.
- Client instructions should be executed promptly so as not to cause financial loss. If any request cannot be executed due to any legal or regulatory reason, BCN has to notify the client promptly where this does not conflict with the relevant law or regulation. Any complaints received from clients and employ systems and processes to ensure that these are responded to promptly and where required independently.

BCN should set performance targets for the resolution of complaints and report performance to an appropriate level of senior management.

In respect of retail clients utilizing credit facilities BCN additionally: -

- Take reasonable care to ensure the borrower and any guarantor is aware of the obligations they are undertaking,
- Be transparent in advising applicable interest rates, service charges and fees on websites or on notice boards in branches. In particular, effective interest rates should be published and not flat rates of interest. When terms such as cost of funds or base rate are used, the basis of the

calculation should be clear to the market and to customers.

- Not exceed its published rates and not impose hidden charges, penalties or levies that are not contracted or agreed upon.
- Provide clients facing financial difficulties with support for the management of their indebtedness,
- Try to develop a repayment plan with the client before resorting to external debt collection, or legal action,
- Gives the client prior notices, where possible, of the appointment of debt collection lawyers and takes reasonable steps to ensure any such lawyers perform their duties ethically and responsibly.
- Information should be given in English or Arabic and may optionally be given in such other language as may be suitable for its client mix.
- Provide adequate protection for clients' assets when it is responsible for them, particularly any outsourced arrangements
- Ensure that all its advertising and promotional material is clear, fair and not misleading.

Bank Records and Communication

Accurate and reliable records are essential to the Bank's business and to assist management in meeting its financial and reporting obligations and to help in the management of the Bank's business.

All of the Bank's books and records must reflect accurate and reliable information. Employees responsible for accounting and record keeping must fully disclose and record all assets, liabilities or both and must exercise diligence in enforcing those requirements.

Employees should not make or engage in any false record or communication of any kind, whether internal or external, including but not limited to –

- False expense, attendance, production, financial or similar reports or statements
- False advertising, deceptive marketing practices, or other misleading representations.

Privacy and Confidentiality

When handling financial and personal information about customers or others with whom the Bank transacts business, the following principles must be observed:

- Collect, use and retain only the personal information necessary for the Bank's business.
- Whenever possible, obtain relevant information directly from the person concerned.
- Retain information only for as long as required by laws and regulations or for as long as it is deemed necessary for the Bank's business.
- Limit internal access to personal information to those with legitimate right to access such information and always on a "need-to-know" basis.

Relationship with Customers and Suppliers

Employees should avoid investing in or acquiring a financial interest, either directly or indirectly, in any business organization that maintains a contractual relationship with the Bank, or one that provides goods or services to the Bank.

Similarly, employees should avoid establishing any other type of a relationship with businesses or organizations, if such a relationship influences or if it has the appearance to influence the employee's decision in the performance of his duties.

Gifts, Entertainment and Favors

Employees should not accept entertainment, gifts or personal favors that may, in any way – real or perceived – appear to influence their decisions in favor of any person or organization with whom the Bank maintains a business relationship or with whom the Bank is likely to have a future business relationship.

Additionally, employees must not accept any other preferential treatment under these circumstances because their position within the Bank might be inclined to, or be perceived to, place them under obligation.

Employees may not receive payment or compensation of any kind, except as authorized by General Management. Particularly, the Bank strictly prohibits the acceptance of kickbacks and secret commissions from suppliers or others. Any breach of this rule will result in the immediate termination of the employee and prosecution to the fullest extent of the law.

Bank Funds and Other Assets

Employees who, by the nature of their jobs, have access to Bank's assets or funds in any form must follow the procedures and controls for recording, handling and protecting those assets as detailed in the procedures manuals.

The Bank imposes strict standards to prevent fraud and dishonesty. If employees become aware of any evidence of fraud or dishonesty, they should immediately advise their immediate supervisor.

When an employee's job position requires spending Bank funds or incurring reimbursable expenses, that employee must use good professional judgment on the Bank's behalf to ensure that good value is received in return for such expenditure.

Dealing with Outside People and Organizations

Employees should take due care to separate their personal roles from that of the Bank's when communicating on matters not pertaining to the Bank's business. Employees must not use the Bank's identification, stationery, supplies and equipment for personal use.

When communicating publicly on matters involving the Bank's business, employees must not presume to speak on behalf of BCN on any topic, unless they are certain the views they express are those of the Bank, and that it is the Bank's wish or desire that such views are expressed and publicly disseminated.

When dealing with anyone outside the Bank, including public officials, employees must take care not to compromise the integrity or damage the reputation of the Bank.

L. Disclosure and Transparency

The Bank's governance should be adequately transparent to its Shareholders, Depositors and other Stakeholders.

The Bank is committed to support a transparent financial system and to promote sound governance, and accountability, as well as to facilitate the access to information to third parties.

In that respect, the Bank shall, at a minimum, disclose on its website:

- Annual Report
- Material information on the Bank's objectives, governance structures and policies
- A detailed list of the names of the Bank's major shareholders and Board members.
- The committees that the Board has formed, their mandates, their composition and their members.
- Corporate Governance code.

M. Corporate Governance Guide Review

The Corporate Governance Guide shall be reviewed every five years and updated when need be to respond to any new regulatory requirements.

The Guide shall be submitted to the Board for approval.

N. References

In preparing these guidelines, the following laws, regulations and reference publications were closely considered:

- The Lebanese laws notably:
 - The Code of Commerce, Decree 304 dated 24/12/1942 and its amendments
 - The Code of Money and Credit Decree 13513 dated 01/08/1963 and its amendments
 - Law no. 02/67 dated 16/01/1967 Special Regulations covering defaulting banks
 - Law no. 308 dated 03/04/2001 Bank share issuing and trading
- Banque du Liban related regulations;
 - Basic Circular 7 dated 27/05/1982 Legal documents and annual reports to BDL
 - Basic Circular 44 dated 25/03/1998 General Strategy and Action Plan
 - Basic Circular 77 dated 15/12/2000 Internal Control and Internal Audit in Banks
 - Basic Circular 81 dated 21/02/2001 Ops relating to Credit, Shareholding, Participation
 - Basic Circular 83 dated 18/05/2001 Regulations for AML/CFT
 - Basic Circular 106 dated 26/07/2006 Corporate Governance
 - Basic Circular 118 dated 21/07/2008 Board of Directors and Board Committees
 - Basic Circular 122 dated 13/08/2009 Rules and procedure for Auditor's appointment
 - Basic Circular 128 dated 12/01/2013 Compliance department
 - Basic Circular 132 dated 08/03/2014 Loans and Advances governed by Art. 152 of CMC
 - Basic Circular 133 dated 06/08/2014 Remunerations and Bonuses to Bank Employees
 - Basic Circular 134 dated 12/02/2015 Principles of Banking Operations with Customers
 - Basic Circular 142 dated 05/10/2017 BOD members Succession plan
 - Basic Circular 154 dated 27/08/2020 Exceptional measures to reactivate work of banks

- Banking Control Commission related regulations
 - Circular 242 dated 30/06/2004
 - Circular 262 dated 15/12/2009
 - Circular 271 dated 21/09/2011
 - Circular 281 dated 05/03/2015
 - Circular 292 dated 28/12/2017
- Basel Committee on Banking Supervision recommendations: "Guidelines Corporate Governance Principles for Banks " and its consultative document; July 2015
- The Corporate Governance Principles of the Organization for Economic Co-operation and Development (OECD) April 2004

O. Approvals

Action	Name	Position	Date	Signature
Drafted by	Anis Naamani	Advisor	04/11/2020	
Reviewed by	Mohamad Kaabour	Head of Risk	17/11/2020	
	Amani Cheikh	Head Comp & AML	17/11/2020	
	Eliane Abi Azar	Head of HR	09/11/2020	
	Refaat Ghraizi	Head of Audit	10/11/2020	
	Gina Arab	Executive Advisor to the Chairman	18/11/2020	
Approved by	BOD			