CORPORATE GOVERNANCE CODE

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SCOPE OF THE CODE

The Corporate Governance Code applies to BLOM Bank sal (herein referred to as the “Bank”). The Bank recognizes Lebanese laws and regulations as its reference on any governance issues that may not be addressed within this Code. Foreign entities within the BLOM Bank Group should adopt corporate governance guidelines as directed by their corresponding Central Banks insofar as regulatory and legal compliance is addressed. For the remaining issues, they should ultimately adopt corporate governance practices as directed by BLOM Bank and outlined within this Code.

STRATEGIC FRAMEWORK

1 Strategic Framework

BLOM Bank sal owns directly or indirectly all companies worldwide belonging to the Group. Ref. Appendix 1 – Group Chart.

The Group provides for:

a. Commercial & Corporate Banking
b. Retail Banking
c. Investment Banking
d. Asset Management
e. Islamic Banking
f. Insurance Services

1.1 Strategic Plan and Goals

The Bank shall prepare a strategic plan up to a period of minimum three years. This plan shall be reviewed and updated annually. The Bank shall also develop strategic goals supporting the strategic plan; these shall guide the Bank’s operations, policies, and decisions. The Bank’s primary objective remains to maintain a leading position among Lebanese banks while maximizing shareholder value. The Bank’s strategic goals then broadly include (1) continuously developing corporate, retail, private, and Islamic banking activities; (2) expanding the branch network, both locally and regionally; (3) where appropriate, and if considered as enhancing shareholder value, expansion through acquisition or merger; and (4) optimizing stakeholder value by implementing sound corporate governance practices as denoted in this Code.

1.2 Regulations

The following rules and standards apply to the Bank:

a. The Lebanese banking laws;
b. The Lebanese Code of Commerce (herein referred to by “CC”);
c. The Securities Laws of the Beirut Stock Exchange (BSE);
d. Rules and guidelines of the Central Bank of Lebanon (BDL) and the Banking Control Commission (BCC) especially the BDL circulars related to corporate governance: BDL Basic Circulars: 106 and 118 and BDL Intermediate Circulars: 253 and 255;
e. The Regulations of the Capital Markets Authority (CMA);
f. Basel Committee’s Directives.

The Bank strives to abide by the OECD principles and the IFC principles on Corporate Governance.
1.3 Mission Statement

BLOM Bank’s goal is to be the leading regional financial institution providing exceptional value and peace of mind to all our stakeholders.

Core values:

* Prudence: We aspire to continuously offer peace of mind through providing safe and sustainable services and value to both our customers and shareholders.
* Professionalism: We pride ourselves in our ability to attract, develop and retain top banking professionals to exceed our clients' highest expectations.
* Integrity: We are devoted to always remain transparent, honest, unbiased and trustworthy.
* Improvement: We constantly improve our processes and services offered to stakeholders using the best available technologies.
* Performance: We set for ourselves the highest standards to stimulate and achieve balanced, stable and secure growth.
* Stewardship: We are strongly committed to protecting and improving the well-being of our people, our community and the environment.

1.3.1 Commitment to Corporate Governance

BLOM Bank sal (herein referred to as “the Bank”) aspires to the highest standards of corporate governance. The Board and Management recognize that corporate governance is of paramount importance to the Board in carrying out its oversight duties. The Board and Management also believe that reporting results with accuracy and transparency, and maintaining full compliance with laws, rules, and regulations governing the Bank’s operations promote the interests of the Bank’s stakeholders and advance the long-term interests of shareholders. In addition, BLOM Bank was the first bank in Lebanon to sign the Investors for Governance and integrity (IGI) Declaration and to commit to implement the Governance and Integrity Rating (GIR) guidelines and recommendations into its own ownership policies and practices, and work to further the advancement of good corporate governance practices.

This Code of Corporate Governance is approved by the Board of Directors. It is reviewed and updated at least once a year. The Code documents the Bank’s commitment to maintaining the highest corporate governance standards and is published on request and on the Bank’s website.

1.3.2 Corporate Governance Elements

Sound Corporate Governance encompasses:

a. A sound Ownership Structure,
b. Sound Board Structure and Process,
c. Sound Senior Management and Organizational Structure,
d. Sound Transparency and Information Disclosure, and
e. Sound Stakeholder Relations.

1.3.3 Board Committee on Corporate Governance

The Board shall form a committee whose responsibilities would at least partially encompass corporate governance issues. The Corporate Secretary shall act as secretary to the committee to follow-up on committee decisions as well as draw-up the agenda of committee meetings, and raise any related issues at such meetings.

This committee undertakes the responsibility of shaping corporate governance policies and practices, including recommending to the Board the corporate governance guidelines applicable to the Bank and monitoring compliance with these policies and guidelines.
1.3.4 Principles of Corporate Governance

BLOM Bank shall ensure sound corporate governance by applying best practices governance principles, as proposed by the Basel Committee and adopted by BDL, in the best interest of the Bank. Therefore:

- Board members shall be qualified for their positions, have a clear understanding of their role in corporate governance, and be able to exercise sound judgment about the affairs of the Bank.
- The Board of Directors shall approve and oversee the Bank’s strategic objectives and corporate values that are communicated throughout the banking organization.
- The Board of Directors shall set and enforce clear lines of responsibility and accountability throughout the organization.
- The Board shall ensure that there is appropriate oversight by Senior Management consistent with Board policy.
- The Board and Senior Management shall effectively utilize the work conducted by the Internal Audit Function, external auditors, and internal control functions.
- The Board shall ensure that compensation policies and practices are consistent with the Bank’s corporate culture, long-term objectives and strategy, and control environment.
- The Bank shall be governed in a transparent manner.
- The Board and Senior Management shall understand the Bank’s operational structure, including where the Bank operates in jurisdictions, or through structures, that impede transparency (i.e. “know-your-structure”).
OWNERSHIP STRUCTURE

2 Shareholders

2.1 Shareholders’ Rights and Key Ownership Functions

Shareholders enjoy all rights conferred upon them by the Lebanese Code of Commerce (CC) and by the Statutes of the Bank including the right to vote at assemblies, the right to dividends, the right to sell their shares, the preferential right to subscribe to capital increases, as well as all rights described in this Code.

2.1.1 Right to Attend and Vote at Assemblies

Every shareholder is entitled to take part in the different meetings held for the formation and the running of the Bank, and to vote therein.

2.1.1.1 Voting Rights

Each share held carries one vote when issued, irrespective of whether it has been fully paid up or not. The voting power each member may command depends on the number of shares held. A shareholder may not be deprived of his voting rights, which in principle can be neither restricted nor denied except for where conflict of interest arises.

2.1.1.1.1 Double voting rights

In accordance with the Lebanese Code of Commerce, shares that have been owned by the same shareholder for more than two years carry a double voting right even if the shares were transferred through inheritance, donation, or legacy but not through purchase. The conditions required to exercise this double voting right are that the shares be:

i. Fully paid
ii. In registered form
iii. In the name of the same person for at least two years before the convening of the general meeting unless transferred as described above.

2.1.1.2 Prohibition of Fictitious Majorities

Criminal liability is imposed upon any person who fraudulently causes or attempts to cause a fictitious majority (e.g. by pretending to be the holder of shares actually belonging to others or by handing out bribes to secure votes in favor of a resolution). Persons guilty of such an offence incur the penalties for swindling.

2.1.2 Right to Dividends for Ordinary Shareholders

Shareholders are entitled to distribution of dividends and shall not be deprived of this right when the Bank declares such dividends. Dividends are distributable when the annual general meeting approves the financial accounts of the Bank and within a period of time that is in accordance with the relevant general assembly resolution and only after receipt of payments distribution by preferred shareholders.

2.1.3 Preferential Right to Subscribe to Capital Increases

In the event of an issue of additional shares upon an increase of capital, existing shareholders may exercise a preferential right to subscribe for such additional shares in proportion of their interests in the Bank provided the new shares are issued for cash. This right may not be restricted unless the extraordinary general meeting, which resolves upon an increase of capital, decides to suppress this preferential right, reduce
or modify it. In all cases, the capital increase shall not confer a special advantage to a certain class of shareholders.

2.1.4 **Right to the Refund of the Nominal Amount of Shares upon Liquidation**
Upon dissolution of the Bank, shareholders are entitled to the repayment of the nominal amount of their shares, inasmuch as the Bank’s assets permit, after corporate creditors and preferred shareholders have been satisfied. Such repayment is subject to liquidation preferences.

2.1.5 **Right to Participate in Surplus Assets upon Liquidation**
Upon dissolution of the Bank, shareholders are entitled to participate, in proportion to their shareholding, in any surplus assets once the capital has been repaid.

2.1.6 **Right to Free Transferability of Shares**
In principle, all shares of the Bank are freely transferable, subject to limited restrictions as follows.

2.1.6.1 **Legal Restrictions**
Trading in the Bank’s current shares is not subject to any legal restrictions, except for the case of Directors' Guarantee shares; these shares are held by a member of the Bank’s Board of Directors and are not transferable for as long as the director holds his/her office.

2.1.6.2 **Regulatory Restrictions**
Transfer of shares is subject to pre-approval of the Central Bank in the following cases:

(i) When the subscriber or the assignee acquires directly, or through a fiduciary contract in accordance with Law 308 of April 3, 2001, more than 5% (five percent) of the total shares of the bank or of the voting rights, whichever is higher.

(ii) When, upon assignment of the shares, the assignee holds 5% (five percent) or more of the total shares of the bank or of the voting rights, whichever is higher.

(iii) When the subscriber or the assignee is a Board member or a Senior Manager.

2.1.6.3 **Restrictions by the Bank**
Shares are freely transferable subject to limited restrictions as per the Bank’s by-laws. The Bank’s Board of directors should grant pre-approval on the identity of potential buyers except in the case of shares listed on the Beirut Stock Exchange. In case of approval, the transfer shall take place within forty-five days from the notification of approval. In case of refusal, the Board of directors shall find another buyer within forty-five days of the date of refusal.

The above restrictions apply as well to transfers pursuant to:

i. Auctions of pledged shares in realization of the pledge;

ii. Waiving of the preferential right to subscription to new issues to a third party; and

iii. Waiving of the right to receiving free shares.

The transfer of shares through inheritance or by will is not subject to the abovementioned restrictions.

2.1.7 **Right to Access Information**
Shareholders can access a variety of information on the Bank, including audited financial statements, through the Bank’s annual report, which can be viewed on the Bank’s website, and the External Auditors' Report.
2.1.8 **Right to Appoint a Proxy**

Shareholders are expected to attend and vote personally at meetings. However, they have the right to appoint a proxy to attend and vote at meetings for them with the following restrictions:

i. The proxy may only be:
   a. A shareholder;
   b. The legal representative of a shareholder if the latter is deprived of his/her legal capacity;
   c. The representative of a corporate entity.

ii. The appointment of a proxy must be made in writing using the special proxy form provided by the Board of directors.

2.1.9 **The Protection Of Minority Shareholders**

Shareholders’ interests shall be protected to the greatest extent possible insofar as it does not conflict with what the Board deems as being in the best interest of the Bank.

BLOM Bank provides a fair and equal treatment of all shareholders including minority shareholders. The protection of minority shareholders’ rights is an essential key to improve corporate governance. One effective way to achieve this is providing adequate disclosure of information. All shareholders, including minority shareholders, enjoy all rights accorded to them by the Lebanese Code of Commerce and the Bank’s Statutes.

Each minority shareholder of BLOM Bank has the right to:

1- Participate in the annual and extraordinary shareholders’ meetings of BLOM Bank (Propose issues to be reviewed and resolved by the annual and extraordinary shareholders meetings, receive the agenda, make informed decisions, have a minimum notice period before the meetings).

2- Vote at the shareholders’ meeting in proportion to his/her shares.

3- Receive dividends in proportion to his/her shares as determined by the general shareholders’ meeting.

4- Preferentially subscribe to capital increases.

5- Refund of the nominal amount of his/her shares upon liquidation.

6- Participate in the surplus assets upon liquidation in proportion to his/her shares.

7- Sell or transfer his/her shares freely at the prevailing market price except those subject to legal and regulatory restrictions.

8- Receive financial and non-financial information disclosed by the Bank to the public in accordance with its Disclosure Policy: all risks and conflict of interests should be communicated to minority shareholders in a transparent, fair and effective way.

9- Appoint a proxy to attend and vote on his/her behalf in line with the legal restrictions.

10- Address written questions to the Board of Directors.

11- To make informed decisions and to be informed of corporate issues that are subject to shareholders’ vote. If a shareholder needs additional information he/she can easily refer to the Corporate Secretary of the Bank.

12- Suggest, nominate and participate in the election of independent Board members.

13- To be nominated as a Board member for election by shareholders at the annual general meeting.
2.1.10 Rights with regard to Shareholders’ Meetings

2.1.10.1 Right to call shareholders’ meetings
Shareholders representing one fifth of the Bank’s share capital may request the external auditors to call the assembly to resolve upon the issues proposed by the said shareholders.

2.1.10.2 Right to Place Items on the Agenda
Shareholders representing one fifth of the Bank’s share capital may place items on the agenda of the ordinary shareholders’ meeting provided the request is presented to the Board of directors at least fifteen days before publication of the notice calling for convening of the general assembly.

2.1.10.3 Right to a Minimum Notice Period
Shareholders must be convened to shareholders’ meetings at least twenty days in advance of such a meeting by means ensuring proper and timely notification of shareholders.

2.1.10.4 Right to make Informed Decisions
The Bank shall support shareholders’ right to make informed decisions and the right to be informed of corporate issues that are subject to shareholder vote.

Shareholders shall be provided access to and furnished with all relevant information concerning corporate meetings in a timely manner.

2.1.10.4.1 Right to Have Access to Information
Each shareholder may, during regular business hours and upon reasonable notice, access, in a timely manner and at the Bank’s principal place of business, all books and accounts of the Bank that are to be made available to shareholders within the fifteen days preceding shareholders’ annual meetings, including this code as well as documents that individual shareholders may access pursuant to applicable laws and regulations, and the Bank’s internal regulations.

The person chairing the assembly shall announce at the onset of the meeting the shareholders’ right to be informed and ask questions on the issues placed on the agenda as well as the shareholders’ right to request the meeting’s adjournment if they deem themselves to be insufficiently informed.

If during the general assembly, shareholders representing at least 20% and no more than 25% of such assembly deem themselves to be insufficiently informed on the issues to be resolved upon, the assembly shall be adjourned and be held within eight days.

Shareholders may be given access to the following information and documents immediately upon the shareholders’ request prior to a general assembly:

a. The Bank’s inventory. It should be noted that the Bank’s inventory may only be reviewed at the Bank’s premises;
b. Balance sheet and profit and loss accounts and consolidated balance sheet and profits and loss accounts for the preceding year;
c. The external auditors’ report;
d. The Board’s report; and
e. An updated list of shareholders.
2.1.10.4.2 Right to Ask Questions

Shareholders have the right to address written questions to the Board at least fifteen days prior to convening the general assembly. The Board shall answer such questions during the meeting.

During the general assembly, any shareholder may ask questions to any member of the Board present concerning the suggested agenda or resolutions as part of the deliberations. The chairperson may not submit a resolution for vote until such time when no shareholder is requesting the floor to ask a question concerning the said resolution.

2.1.11 Secure, reliable, and accurate records of ownership

2.1.11.1 All Shares are in Registered Form

All bank shares shall be registered and safeguarded at Midclear sal, the central depository agency.

2.1.11.2 Accurate Records are kept with Midclear sal

Proofs of ownership, trading operations, share pledging, and the institution of other rights over bank shares shall be effected through the books of Midclear sal.

2.1.11.3 Clear Control Rights

The Bank’s share structure shall be clear and control rights attached to shares of the same class shall be uniform and easily understood.

2.1.11.4 Arrangement with Registrar

The registrar function of Midclear sal is assigned the following responsibilities:
  i. Change of ownership as a result of trading
  ii. Change of ownership as a result of inheritance or will
  iii. Pledging and un-pledging of shares
  iv. Freeze initiated by the Court
  v. Freeze of shares for guarantee purposes
  vi. Statement of ownership of nominal shares
  vii. Attendance list for general assembly meetings

2.1.12 Liabilities on Shares

The only obligation of a shareholder is to pay the full lawful consideration for his/her share(s).

2.2 Shareholding Composition

2.2.1 Major Shareholders (including indirect ownership and voting control)

The Bank shall disclose information on its major shareholders in the annual report.

2.2.2 Director Shareholding

Guarantee shares owned by Board members shall remain registered. These shares are not transferable and for this reason, they bear the “not negotiable” stamp, for as long as the director holds his/her office and until release (quitus) is granted by the general assembly.

Pre-approval shall be granted from the Central Bank before any transfer of shares if any party to the transfer of shares is a member or a member-elect of the Board.

2.2.3 Management Shareholding

Shareholders shall not be disadvantaged by management and insider shareholders. Pre-approval shall be granted from the Central Bank before any transfer of shares if:
  a. Any party to the transfer is a member of general or senior management of the Bank; or
b. Upon assignment of the shares, a Bank employee, holds more than 1% (one percent) of the total shares of the Bank; or

c. The Bank employee acquires through the transfer more than 1% (one percent) of
the total shares of the Bank.

The above applies to all Bank employees in addition to their spouses, parents, and children.

2.2.4 Concentration and Influence of Ownership

2.2.4.1 The management of concentration and influence of ownership

The Board of directors shall assume the responsibility to protect the Bank from illegal or inappropriate actions or influences of dominant or controlling shareholders that are detrimental to, or not in the best interest of, the bank and its shareholders. The Board shall ensure compliance with relevant Lebanese laws and central bank regulations. Therefore:

2.2.4.1.1 The maximum voting power for any shareholder whose shareholding in shares listed on stock exchanges reaches ten percent or over and that does not communicate this fact to the Board of Directors before the annual general assembly is set at ten percent of voting rights.

2.2.4.1.2 Pre-approval shall be obtained from the central bank for the following:

(i) When the subscriber or the assignee acquires directly, or through a fiduciary contract in accordance with Law 308 of April 3, 2001, more than 5% (five percent) of the total shares of the bank or of the voting rights, whichever is higher.

(ii) When, upon assignment of the shares, the assignee holds 5% (five percent) or more of the total shares of the bank or of the voting rights, whichever is higher.

The above-mentioned portion of five percent includes the participation of the spouse and children under age, as well as the participation of any economic entity, as defined in the regulations issued by the Central Bank.

2.2.4.2 Disclosures on concentration and influence of ownership

The Bank shall disclose in its annual report information on:

- Commercial arrangements between the Bank and its affiliates; and
- Any change of control.

2.3 Shareholders’ Meetings

The general assembly of shareholders may meet at different occasions depending on the type of resolutions to be made. There are five types of shareholders meetings:

i. Constitutive meeting: this meeting is held for the establishment of the Bank.

ii. Annual ordinary general meeting

iii. Exceptional ordinary general meeting

iv. Extraordinary general meeting

v. Meetings of preferred shareholders

2.3.1 Convening Shareholders’ Meetings

2.3.1.1 Agenda of Meeting

The agenda is prepared by the party that convenes the meeting. Items may be added on the agenda by shareholders representing one fifth of capital shares as described in the related procedures under section 2.1.10.1. The assembly may only debate
questions and pass resolutions on the matters set out in the agenda; with exceptions for urgent and unforeseen matters.

However, a resolution removing a director when the matter is not on the agenda does not become effective unless confirmed at a second meeting convened by the auditors within two months of the first one.

2.3.1.2 Form for Proxy

The Bank shall provide a form to be completed by shareholders wishing to appoint a proxy. The form shall be made available to shareholders prior to shareholders meetings.

2.3.1.3 Meeting’s adjournment

As long as it has not been held, directors may, on proper ground, adjourn the meeting. The meeting is also adjourned for eight days at request of one fourth of shareholders present at the assembly if they deem they do not have enough relevant information to cast their votes.

2.3.1.4 Chairman of the meeting

The meeting is chaired by the Board Chairman, and in his absence, a director is delegated by the Board to chair the meeting, or, failing that, a shareholder is assigned by the general assembly as Chair for the purpose of the meeting.

2.3.1.5 Secretary of the meeting

The meeting’s Chair shall assign a secretary. The secretary may or may not be a member of the general assembly of shareholders. The secretary, the chairman of the meeting, and the scrutinizers shall constitute a bureau.

2.3.1.6 Attendance list

The bureau shall draw up and certify an attendance list showing the list of shareholders present and represented, the number of shares held by each shareholder and the corresponding number of votes. The attendance list shall be made available to shareholders for review at the Bank’s registered office.

2.3.1.7 Voting procedure

2.3.1.7.1 Resolutions passed on the basis of the required quorum and majority bind all shareholders, even those who voted against or who were not present at the meeting.

2.3.1.7.2 Two volunteer shareholders representing the greatest number of votes shall act as scrutinizers of number of shares and votes for quorum and voting.

2.3.1.7.3 Upon the request of a single shareholder, secret ballot is compulsory in all matters of a personal character.

2.3.1.7.4 Shareholders may not exercise their voting rights when the general assembly has to take a decision concerning vesting them with an advantage or settling a dispute between them and the Bank.

2.3.1.8 Minutes of Meeting

Minutes of each meeting held shall be prepared and signed by members of the bureau.

2.3.2 Ordinary General Meeting

2.3.2.1 Invitation to Meeting

Shareholders are convened to the meeting of the general assembly by means of an invitation published in two daily newspapers distributed at the place of the Bank’s registered office at least twenty days before the meeting.
2.3.2.2 Frequency of Meetings
Ordinary general meetings are held annually within six months of the end of each financial year. Under certain circumstances, an ordinary meeting may be convened at other times as well to pass resolutions within the competence of the ordinary meeting such as the removal of a director. Resolutions passed at such meetings may not amend the statutes.

2.3.2.3 Quorum
The ordinary annual meeting should be attended by shareholders representing at least one third of capital. If a quorum is not present, a second meeting shall be called at which business may be done whatever portion of the capital is represented.

2.3.2.4 Voting
Resolutions are passed at ordinary meetings by absolute majority of votes cast.

2.3.3 Extraordinary General Meeting
Extraordinary meetings are called to approve alterations of the statutes and to take such decisions as are not within the powers of the ordinary meetings such as the authorization of a merger, or the voluntary dissolution of the Bank or the issue of preference shares. The extraordinary meeting may not, however:

- Change the nationality of the Bank
- Increase the obligations of shareholders
- Take away or impair third parties' rights

2.3.3.1 Invitation to Meeting
Shareholders are convened to the meeting of the general assembly by means of an invitation published in two daily newspapers distributed in the place of the Bank’s registered office at least twenty days before the meeting. If there is no quorum at the first meeting, then a second invitation shall be published in the Official Gazette in addition to two daily newspapers distributed in the place of the Bank’s registered office.

2.3.3.2 Frequency of Meetings
Extraordinary general meetings are convened whenever such issues as described in section 2.3.3 arise.

2.3.3.3 Quorum
2.3.3.3.1 Generally, shareholders holding at least two-thirds of the capital shares in question must be present or represented to form a quorum. If such a quorum is not secured, then another meeting shall be called where half the capital shares in question shall constitute a quorum. If once again a quorum is not secured, a third meeting shall be called where one third of the capital shares in question shall constitute the quorum.

2.3.3.3.2 If the assembly is convened to alter the Bank’s objects or to change the Bank’s legal form, the quorum is formed when shareholders holding at least three-quarters of the capital are present or represented.

2.3.3.4 Voting
At extraordinary general meetings, resolutions are passed by a two-thirds majority of shareholders present or represented.

2.3.4 Meetings of Preferred Shareholders
2.3.4.1 Annual General Assembly of Preferred Shareholders
Owners of Preferred Shares hold every year an Annual General Assembly to take note of the resolutions of the Annual General Assembly of common shareholders of the
Bank concerning the resolutions and the distributions to Preferred Shareholders. It is an Ordinary General Assembly with ordinary quorum and voting.

2.3.4.2 Extraordinary General Assembly of Preferred Shareholders

These meetings are attended only by holders of preferred shares. These meetings are held to approve decisions of the general meeting of common shareholders that alter the special rights attached to the shares in question. The decision of the general assembly becomes effective only after the extraordinary meeting has consented to the alterations.

2.3.4.2.1 Invitation to Meeting

Extraordinary meetings of Preferred Shareholders meetings are convened similarly to Extraordinary General Meetings of Common Shareholders.

2.3.4.2.2 Frequency of Meetings

Extraordinary meetings of Preferred Shareholders are convened whenever such issues as described in section 2.3.4.2 arise.

2.3.4.2.3 Quorum

Shareholders holding at least two-thirds of the capital represented by the special class of shares must be present or represented to form a quorum. If such a quorum is not secured, then another meeting shall be called where half such capital shall constitute a quorum. If once again a quorum is not secured, a third meeting shall be called where one third of such capital shall constitute the quorum.

2.3.4.2.4 Voting

At special meetings of classes of shareholders, resolutions are passed by a two-thirds majority of shareholders present or represented.
3 Appointment of the Group Chairman

The Board of BLOM Bank sal may appoint, after consultation with the Boards of Directors of each entity within the Group, a Chairman for the Group. The Group Chairman has, among others, the following responsibilities:

- Review the financial results of entities within the Group;
- Evaluate the performance of entities within the Group and regularly communicate remarks and suggestions to BLOM Bank’s Board of Directors;
- Suggest the remuneration of General Managers, and the remuneration of the Group Secretary General; and
- Represent BLOM Bank in the General Assemblies of entities within the Group.

The Group Chairman’s findings on the above should be reported to the Board of BLOM Bank on a periodical basis.
4 **Board of Directors**

The Board shall bear overall accountability for the performance of the Bank. The Board of Directors’ primary responsibility is to provide effective governance over the Bank’s affairs for the benefit of its shareholders, and to balance the interests of its stakeholders, including its customers, employees, suppliers, and local communities.

4.1 **General Principles**

The Bank is led by a Board comprising executive, non-executive and independent directors. Each Director is expected to:

- a. Prepare for and regularly attend Board and applicable committee meetings and attend the annual meeting of shareholders,
- b. Devote the time necessary to discharge effectively his/her responsibilities, including keeping informed about the Bank’s performance and position.

4.2 **Role of the Board**

The Board is responsible for achieving the Bank’s aims, strategy and policy, and results. The Board is accountable to the general assembly of shareholders. In discharging its role, the Board of Directors shall be guided by the interests of the Bank, taking into consideration the interests of the Bank’s stakeholders.

The Board of Directors is responsible for complying with all relevant legislations and regulations, for managing the risks associated with the Bank’s activities, and for the Bank’s finances.

The Board is ultimately responsible for the system of internal risk control at the Bank.

4.3 **Structure and Composition of the Board of Directors**

4.3.1 **Structure of the Board**

The Board shall be structured in such a way as to ensure that the interests of shareholders are represented fairly and objectively. The number of Board members should be in the range of three to twelve according to the Bank’s Statutes as well as the CC, however, as a matter of principle, the Board believes that the minimum should not fall below six. The Board elects a Chairman from amongst its members. The Board may also appoint honorary directors. Honorary directors are invited to Board meetings, but cannot vote on issues presented to the Board.

4.3.2 **Composition of the Board**

Board members are appointed by shareholders at the ordinary annual general meeting. The majority of the Board members should be independent and/or non-executive officers of the Bank (see section 4.3.4.1). The majority of the members of the Board of Directors must be Lebanese nationals unless provided otherwise by special legislation.

Candidates for Board directorship are suggested by the Board Nomination and Remuneration Committee and recommended to the annual general assembly to act upon.
4.3.3 **Qualification of Directors**

4.3.3.1 **Adequate Collective Knowledge**

The Board shall have adequate collective knowledge of each of the types of material financial activities the Bank intends to pursue. In addition, the Board shall have sufficient knowledge and expertise to enable effective governance and oversight.

For the case of Directors who are not engaged in management functions and who may not have detailed knowledge of banking, finance, risk management, regulatory compliance, information and communication technology, or other related topics, the Board shall propose programs of ongoing education for Board members and take the necessary steps to ensure that such knowledge is available to the Board, in order to enable them to fulfill their responsibilities.

4.3.3.2 **Minimum Number of Shares**

To be eligible for directorship, a shareholder must own at least five hundred shares of the Bank’s capital.

4.3.3.3 **Disqualifications**

A shareholder is disqualified for directorship if within the last ten years he/she was found guilty in Lebanon or abroad, of committing or attempting to commit the offences of forgery, theft, fraud or an offence incurring the penalties of fraud, embezzlement or for issuing uncovered cheques or an offence against the financial interests of the Lebanese state or the offence of receiving goods acquired through the above-mentioned illegal means. These disqualifications apply to individual persons as well as to representatives of corporate entities sitting on the Board.

4.3.4 **Independence of Directors**

4.3.4.1 **Non-executive Directors**

A Board member shall qualify as non-executive if he has no administrative and/or executive function within the Bank and/or any of the Bank’s branches or subsidiaries in Lebanon and abroad, and does not present advisory services for the “senior executive management”, whether currently, or during the preceding two years.

A foreign subsidiaries board member is not considered as an executive member unless the laws in practice in the foreign country stipulate otherwise.

4.3.4.2 **Independence Standards**

As defined by the relevant BDL circulars, a Director shall qualify as independent for purposes of service on the Board of the Bank and its Committees if the Board has determined that the Director meets the following criteria:

- Is a non-executive Director
- Is not a major shareholder, i.e., does not hold directly or indirectly more than 5% of the Bank’s shares or their voting rights, whichever is greater.
- Has not maintained any business relationship during the preceding two years with any of the top executive management or with any major shareholder.
- Is not a relative, up to the fourth degree, with any major shareholder.
- Is not one of the Bank’s borrowers.
4.3.4.3 Management of Conflict of Interest

A director is prohibited from having an interest with any group or entity with intention to affect the price or performance of any instrument issued by the Bank and publicly traded on Stock Exchanges.

A director may not hold the office of director in another company having the same objects or carrying on activity in the same field of business, without a special authorization of the general assembly which is to be renewed every year.

A person may not hold the office of director, at one and the same time, in more than six companies whose registered office is in Lebanon. This number drops to two if the director is more than seventy years old.

4.3.5 Director Tenure

4.3.5.1 Normal Term

Directors may be elected to the Board for a maximum of three years.

4.3.5.2 Retirement Age

A Director cannot be elected or re-elected to the Board if he/she has reached the age of eighty years.

4.3.5.3 Re-election of Directors

Directors may be re-elected at annual ordinary general meetings.

4.3.5.4 Resignation of Directors

A director may resign at any time, and his/her resignation is effective when notice is given to the Board or to the Chairman regardless of its acceptance. However, a director should take into consideration the interests of the Bank; resigning at a time when the vacating place cannot be filled may be wrongful.

Executive members resigning from both the Board and their position within the Bank must maintain their executive management responsibilities during their legal or contractual notice period unless released from doing so by the Board.

4.3.5.5 Dismissal of Directors

Shareholders have the power, through the general assembly, to remove directors before expiration of their period of office without giving reason for the decision or paying compensation or damages.

4.3.6 Chairman of the Board

The Chairman promotes a constructive relationship between the Board and the Bank executive management, and between Directors.

The Chairman ensures that both Directors and the Bank’s shareholders receive adequate and timely information.

The Chairman reports on a yearly basis to all shareholders in the annual general meeting on the risks faced by the Bank and how these risks are being mitigated and controlled.

The Chairman ensures high standards of corporate governance by the Bank.

4.3.6.1 Independence of the Chairman

The Chairman of the Board may not hold a similar position in more than four companies whose registered office is in Lebanon with the condition that general managers are appointed by the Chairman in at least two of those companies.
4.4 **Lead Director**

The independent directors of the Board annually elect an independent director to serve in a lead capacity. The Lead Director will be elected annually and the position may be rotated among up to three independent directors during the three year term of a Board. The Lead Director coordinates the activities of the other independent directors, and performs such other duties and responsibilities as the independent directors may determine. The Lead Director shall have the following additional responsibilities and authorities:

- Chair Board meetings at which the Chairman is not present and in case there is no appointed Vice Chairman, including providing adequate time for discussions of all subjects, facilitating consensus and encouraging full participation and discussion by all present directors.

- Call and chair meetings of the independent directors and coordinate with the Corporate Secretary on their arrangement. The agenda of these meetings shall be determined by the Lead Director in consultation with other independent Directors and communicated to the Corporate Secretary. Such meetings must be held at least once each year.

- Serve as principal liaison on Board-wide issues between the independent directors, the Chairman and the full Board in discussing issues arising from the meetings of independent directors and ensuring the flow of information.

- Coordinate with the Chairman of the Board on the quality, quantity, and timeliness of information sent to the Board, as well as Board meeting agenda items, seeking input from all independent directors.

- To be consulted before setting Board meeting schedules to assure that there is sufficient time for discussion of all agenda items.

- Encourage active engagement by all Directors and set the tone of Board discussions to promote effective decision making and constructive debate, ensure that questions and comments of independent Directors are heard and addressed and help Directors to reach consensus and keep Board matters on track.

- May serve as an independent point of contact for shareholders wishing to communicate with the Board other than through the Chairman.

- Serve as a member in the Board Consulting, Strategy and Corporate Governance Committee and at least one other Board Committee.

- Provide leadership to ensure that the Board is functioning independently of the Bank's Management and other non-independent directors.

- Recommend to the Chairman, at the direction of the independent directors, the retention of outside advisors and consultants who report directly to the Board of Directors on any issue that the Board of Directors might deem worthy of interest or consideration.

- Promote best practices and high standards of corporate governance.

4.5 **Director Remuneration**

Directors are entitled to compensation in the form of a fixed annual amount and/or a nominal honorarium per meeting. It is the responsibility of shareholders at the ordinary general meeting to allocate and decide on the distribution of Directors’ compensation.
The guidelines for assessing Board member remuneration and benefits shall be developed and applied by the Nomination and Remuneration Committee. Independent and non-executive Directors serving on Board Committees are remunerated for their participation and contribution.

Board members remuneration shall become effective upon approval by the ordinary general assembly. The power to determine and approve the remuneration of the Board of Directors should not be delegated to the Board or any corporate body other than the shareholders’ assembly.

Executive Directors may receive, in addition to the above, compensation for their managerial positions. This compensation is recommended by the Board and approved by the annual general assembly.

4.6 Disclosure of the List of Board Members

The Bank shall provide the contact information of its Board members in its annual report. The information shall include:

- a. Name
- b. Position
- c. Background and competencies
- d. Number of directorship years with the Bank

Additionally, the Bank shall disclose in its annual report the names of the Board Members of its subsidiaries (both local and foreign).

4.7 Communication Mechanism between the Board of Directors and Senior Management.

The Board of Directors shall adopt two principle tools of communication with the Senior Management. The first shall be directly at the Board Level through the presence of and interaction with executive Directors. The second shall be through the various Board Committees which have delegated authorities from the Board of Directors in specific areas which are detailed in each Committee Charter. The Board or any of its Committees may ask any manager or officer of the Bank to attend one of its meetings whenever the Board of Directors or particular Board Committee deems it necessary.

5 Directors and Board Fundamental Duties, Functions, and Practices

5.1 Fiduciary Duties of Board Members

The Bank’s Board members owe the Bank and its shareholders the fiduciary duties of care, loyalty, and the duty to comply with the corporate authority. In the discharge of their fiduciary duties, Board members must at all time act in good faith, with candor, avoiding all potential or actual conflicts of interest, and in the best interests of the Bank and in compliance with the Bank’s articles of incorporation and bylaws, and all applicable laws, including the Code of Commerce and this code. These obligations include the following specific duties:

5.1.1 The Duty of Care

- a. In faithfully discharging his or her duties, the obligated party must act in good faith and exercise the same care and diligence which the ordinary, prudent person would exercise when in the same position, under similar circumstances, and reasonably acting in the best interests of the Bank.

- b. A Board member must take reasonable steps to be fully aware of all relevant issues, and to make informed and independent decisions when voting on
company matters. In addition to the obligation to be informed on the Bank’s
decisions and matters, the duty of care also requires Board members to take
reasonable steps to monitor the Bank’s management and finances.

c. Every newly elected Board member shall upon his/her election become familiar
with the Bank structure, management, and all other information enabling the said
Board member to assume his/her responsibility.

5.1.2 The Duty of Loyalty

Board members owe a duty of loyalty to the Bank and its shareholders. This fiduciary
duty requires Board members to subordinate their personal interests to the interests of
the Bank and its shareholders and at all times act in good faith.

In addition to complying with the guidelines concerning related party transactions set
forth in section 5.4.1 of this Code, to fully discharge this duty the obligated parties must
refrain from any:

- Self-dealing where an obligated party has a financial interest in a company
  action which constitutes a conflict of interest;
- Activities which compete with the financial interests of the Bank, including
  engaging in a competing business; however this section does not prohibit an
  obligated party from owning less than 10% of a publicly traded company's
  shares;
- Apparent, potential, and actual conflicts of interests. In the instance of such a
  conflict of interest involving a director, the affected director must fully disclose
  the conflict and refrain from voting on or being present when any matters
  related to the conflict are brought to a Board vote.
- Action which results in a preferential personal loan to another obligated party
  when similar loans and loan terms are not offered to the general public; and
- Action which constitutes insider trading or otherwise improperly disclosing
  confidential information.

5.1.3 The Duty to Comply with the Corporate Authority

All obligated parties must act within the scope of the authority entrusted to them under
the Bank’s articles of incorporation, duly enacted Board directives, shareholder
resolutions, and applicable laws. Directors acting outside of the scope of their authority
are absolutely liable for losses suffered by the Bank as a result of those unauthorized
acts.

5.2 Directors and Board Meetings

Directors are expected to attend Board meetings and meetings of committees and
subcommittees on which they serve, and to spend the time needed and meet as
frequently as necessary to properly discharge their responsibilities.

The Corporate Secretary should send the meeting’s notice and agenda to the Directors
at least two weeks prior to the meeting and notify them that all the documents and
materials that will be discussed in the meeting are available in the Bank if they need to
have a more detailed and comprehensive review before attending the meeting.

The Board of Directors may be promptly convened in some urgent cases when
required. The Chairman shall establish the agenda for each Board meeting. Each
Board member (executive, non-executive or independent) is free to suggest items for
inclusion on the agenda of the next meeting or to raise subjects that are not on the
agenda for that meeting for discussion. However, only items on the agenda can be
voted upon to be Board resolutions.
5.2.1 Invitation to Meeting

Board meetings are called by the Chairman-General Manager or by two Directors.

5.2.2 Meeting Frequency

The Board of directors shall meet as frequently as necessary for the discharge of its governance obligations and to ensure the good functioning of the Bank, noting that the Board shall meet at least once every three months, and at least two of the meetings shall be held in Lebanon. At the end of each meeting, the date of the following meeting is scheduled in order to provide the Directors enough time to ensure their availability and presence in the next meeting.

5.2.3 Quorum

Half of the number of directors constituting the Board who are present or represented shall constitute a quorum.

5.2.4 Voting

Each director has a single vote for himself. Directors may act by proxy provided that the proxy holder is a director. Further, a director may not represent more than one other director.

An absolute majority is needed to carry out resolutions. In the case where Directors are equally divided upon an issue, the Chairman is granted a casting vote.

5.2.5 Minutes of Meeting

Minutes of Board meetings are recorded, validated and signed by the Chairman of the meeting and one voting member, and safeguarded in a separate register at the Bank’s registered office.

5.3 Board Functions

5.3.1 Shareholder Representation

The Board shall act within the scope of the normal conduct of the business, convene the general assemblies, prepare the agenda of the meetings and carry out the decisions of the general assembly.

5.3.2 Oversight Functions

The Board shall ensure the validity and legality of amendments to the Statutes and supervise the Chairman, the General Managers, and the Managing Director in the course of their duties.

In order to strengthen the Board’s oversight function of management, the independent and non-executive Board members should meet at least once a year independently from Management and other executive Board members and outside the framework of Board Committees to discuss the various operations and the overall situation of the Bank. During the yearly meeting, the independent directors should elect among themselves an independent director to serve as a Lead Director. It is the responsibility of the Corporate Secretary to arrange and attend the meetings, draft the minutes and ensure their safekeeping.

5.3.3 Annual Strategic Review

The Board shall review the Bank’s long-term strategic plans and the principal issues that it expects the Bank may face in the future during at least one Board meeting each year. The Board shall understand the Bank’s risk profile, approve the Bank’s strategy and the Bank’s Risk Management Policies.
5.3.4 **Financial Reporting**

The Board shall prepare at the end of each financial year the inventory of the Bank’s assets, the balance sheet and the profit and loss account of the Bank and submit the said documents fifteen days at least before the ordinary general meeting, prepare at the end of the first semester of each financial year a brief statement of the assets and liabilities of the Bank. In addition, the Board should publish the balance sheet and the list of directors and auditors in the Official Gazette, in a business publication and in a local newspaper within two months of the approval of the accounts by the ordinary general assembly.

5.3.5 **Other Reporting**

The Board shall submit a report on the issue of convertible bonds to the extraordinary general assembly and a special report on the proposed related-party transactions to the general assembly.

5.3.6 **Legal Reserves**

The Board is responsible to transfer ten percent of the annual net profits to legal reserves.

5.3.7 **Appointment of Top Management**

The Board is responsible to appoint the Chairman-General Manager, and if it so chooses also Vice-Chairmen/General Manager(s) and the Group Secretary General, and, upon the recommendation of the Chairman of the Board, the General Manager(s).

5.3.8 **Director Access to Senior Management**

Directors shall have full and free access to senior management of the Bank. Any meetings or contacts that a Director wishes to initiate may be arranged through the Chairman-General Manager or Board Secretary. The Board may invite senior management of the Bank to attend Board meetings for specific items on the agenda.

5.3.9 **Access to Information**

Board members have the right to access information, documents, and records pertaining to the Bank that would enable each member to inform themselves of issues to be decided upon at Board meetings insofar as it does not conflict with the Banking Secrecy Law.

5.3.10 **Approval of Other Matters**

The Board shall approve matters within its authorities and those which may not be delegated under applicable laws to senior management. In this context, the Board has, among others, the authorities to:

- Establish local and foreign branches, subsidiaries and affiliates for the Bank;
- Specify and oversee the Bank’s investment policy and procedures;
- Approve ownership, transfer, and disposal of financial assets; and
- Establish Board and management committees and specify the agenda and authorities of each committee.

5.4 **Board Practices**

5.4.1 **Related-Party Transactions**

For the purpose of this code, a related party transaction is in general any transaction involving a related party according to articles 158 of the CC and 152 of the Code of Money and Credit.
5.4.1.1 Authorization of Related Party Transactions

Related party transactions may be allowed only if approved by the Board of Directors and by the General Assembly of Shareholders in compliance with the requirements of articles 158 of the Code of Commerce and 152 of the Code of Money and Credit as well as the BDL Basic Circular 132 and any amendments to those articles and circular.

As stated in the Article 152 of the Code of Money and Credit, the Bank is forbidden to grant, either directly or indirectly, credits to members of its Board of Directors or its managing executives, or to its principle shareholders and to all the family members of such persons without compliance to the conditions laid down in the following:

A- Credits shall be the object of prior authority, in principle, from the shareholders general meeting which would specify at least the maximum level of credits that could be granted to each person, while it would be the duty of the Board of Directors and of the external auditors to advise the shareholders ordinary annual meeting of the grant conditions governing such credits and of the way such conditions shall be met.

B- The granting of every credit must be the object of an express permission of the Board of Directors specifying the amount and the terms.

C- Credits shall be covered by real securities or by Bank guarantee or by a guarantee from a financial institution duly registered in Lebanon and acceptable to the auditors.

D- The amount of such credits shall not exceed 2% of the Bank’s own funds.

E- The Bank may grant these credits to members of its Board of Directors, to its managing executives and to its principal shareholders, irrespective of the conditions stated in the Article, within a margin of 1% of its own funds and the maximum level stipulated in the above paragraph (D).

F- It shall be the duty of the Banking Control Commission to evaluate to what extent the provisions of this Article shall apply to specific accounts and risks particularly in so far as an indirect interest exists, each case to be examined individually. Where diverging viewpoints arise between the Banking Control Commission and the Board, the matter shall be referred for adjudication to the Central Board. The decision of the Central Board in this respect shall be considered as final and no means of administrative or judicial review shall be accepted.

Excluded from the provisions of this Article are such loans as may be granted by the Bank to a subsidiary lending institution it actually owns even though the persons in charge of the management of that subsidiary are at the same time members of its Board of Directors or of its staff, on condition that such institution is duly registered with the Central Bank of Lebanon (BDL).

For the purpose of application of this Article, the family shall include the spouse, the ascendants and descendants, the brothers and sisters if they are the borrower’s dependents.

Every related-party transaction during any period should be reported by the Board to the general assembly of shareholders during the next general meeting. The report shall explain the transaction and the rationale for entering into such transaction with the relevant related party, as well as the relationship between the Bank and the concerned related party.
5.4.2 Investments

5.4.2.1 Investments Offered by the Bank

A Director, or family member of a Director, may participate in investment opportunities offered or sponsored by the Bank provided they are offered on substantially similar terms as those for comparable transactions with similarly situated non-affiliated persons.

Directors and members of senior management investing in partnerships or other investment opportunities sponsored, or otherwise made available by the Bank should declare such investments to the Board.

5.4.2.2 Investments Offered by a Third Party Entity

Directors and members of senior management may not invest in a third party entity when the investment opportunity is made available to him or her as a result of such individual’s status as a Director or member of senior management.

5.4.3 Indemnification

The Bank provides reasonable directors’ and officers’ liability insurance for Directors and shall indemnify the Directors to the fullest extent permitted by law and the Bank’s certificate of incorporation and by-laws.

5.5 Board Committees

Each of the below mentioned committees should have a documented charter covering each committee’s purpose, members and structure, competencies, meeting frequency, and authorities.

The standing committees of the Board are:

a. Board Audit Committee
b. Board Risk Management Committee
c. Board Consulting, Strategy and Corporate Governance Committee
d. Board Nomination and Remuneration Committee
e. Board Compliance Committee

5.5.1 Board Audit Committee

The Board Audit Committee has the mission to (1) monitor and assess the integrity of the Bank’s financial accounting and reporting as well as the adequacy of related processes and controls, (2) monitor the performance and assess the competence of External Auditors and the Group Internal Audit Division, and (3) monitor adequacy of processes and internal controls used to ensure legal and regulatory compliance, and compliance with the Bank’s by-laws and internal regulations. Ref. Appendix 2 – Board Audit Committee Charter.

5.5.2 Board Risk Management Committee

The Board Risk Management Committee has the mission to periodically (1) review and assess the Risk Management Function of the Group, (2) review the adequacy of the Bank’s capital and its allocation within the Group, and (3) review risk limits and reports and make recommendations to the Board... Ref. Appendix 3 – Board Risk Management Committee Charter.

5.5.3 Board Consulting, Strategy, and Corporate Governance Committee

This Committee has the mission to (1) oversee development of the strategic plan, (2) monitor progress relative to the strategic plans and annual or quarterly objectives, (3) review effectiveness of the Group’s strategies, (4) approve and monitor large projects, (5) shape corporate governance policies and practices, including
recommending to the Board the corporate governance guidelines applicable to the Bank and reviewing the Board’s goals, agenda, and work plan, (6) monitor compliance with these policies and guidelines, and (7) advise the Board on business matters and overall business development referred to it by the Chairman of the Board.

The strategic plan should cover up to a minimum three year period and include the Board’s thoughts on expanding and developing the various businesses, for example by geographic market or market segment within each region and whether such expansion should be organic or inorganic. Expected staffing requirements and capital growth should also be specified within such plan. *Ref. Appendix 4 – Board Consulting, Strategy and Corporate Governance Committee Charter.*

5.5.4 Board Nomination and Remuneration Committee

The mission of the Committee is to provide assistance to the Board in (1) Preparing and submitting the Remuneration Policy and the Remuneration System to the Board of Directors for its approval. (2) Supervising the proper implementation of the Remuneration Policy and the Remuneration System. (3) Performing a periodic review, at least annually, of the rules/principles based on which the Remuneration Policy is implemented and submitting recommendations to the Board of Directors for amending and updating the Policy. (4) Assessing periodically the efficiency and effectiveness of the Remuneration Policy in order to ensure the achievement of its objectives and requesting the Senior Executive Management to provide the Committee with the needed information for the assessment. (5) Evaluating the total granted remunerations compared with the expected future revenues in order to avoid any likely negative results. (6) Submitting to the Board of Directors specific proposals on the remunerations of the Senior Executive Management. (7) Ensuring that the BDL circulars related to remunerations are communicated to all the bank employees and ensuring that the Remuneration Policy complies with the BDL regulations. (8) Verifying that the disclosure principles adopted by the Bank are in line with the provisions of articles 13 and 14 of the BDL basic circular 133. (9) Nominating individuals qualified for directorship and recommending candidates to the Board and shareholders. (10) Nominating a sufficient number of independent and non-executive Board members and recommending nominees to the Board of Directors and to the shareholders. (11) Nominating individuals qualified to sit on Board committees and recommending candidates to the Board. (12) Planning the succession of executive and non-executive directors as well as the General Managers. (13) Drawing up and submitting to the Board the criteria for determining the remuneration of top management and ensure these criteria are properly applied. (14) Evaluating the performance of top management and Board of Directors. *Ref. Appendix 5 – Board Nomination and Remuneration Committee Charter.*

5.5.5 Board Compliance Committee

The mission of the Committee is to provide assistance to the Board by performing the following duties: In terms of AML/CFT: (1) Assessing the procedures guide on the implementation of the AML/CFT Law and the present regulations (2) Assessing and verifying the proper implementation and effectiveness of AML/CFT procedures and regulations. (3) Assessing and reviewing the reports received from the concerned departments and branches about suspicious activities as well as assessing and reviewing the investigation results of suspicious transactions and activities... In terms of Legal Compliance: (1) Reviewing the adequacy of the procedures adopted by the Bank to detect any violation or breach. (2) Ensuring that compliance procedures, systems and controls are being evaluated. (3) Ensuring that the required corrective measures are applied upon the detection of any violation resulting from non-compliance. (4) Ensuring that compliance procedures, systems and controls are being
evaluated. (5) Reviewing and assessing compliance visit reports conducted to BLOM Group entities… *Ref. Appendix 6 – Board Compliance Committee Charter.*
5.6 **Corporate Secretary**

The Bank should have a Corporate Secretary in charge of: 1) Organizing Board meetings: preparing the meetings’ notice, agenda, documents, attending the meetings, drafting minutes and ensuring their safekeeping. 2) Coordinating between the various Board members as well as between the Board and the other Bank constituents including shareholders, management, and employees. 3) Arranging and attending the annual meetings of independent and non-executive directors by themselves without the presence of executive directors outside the Board Meetings and drafting the minutes of meetings and ensuring their safekeeping. 4) Arranging the annual evaluations of the performance of the Board of Directors, the Chairman of the Board and the CEO. 5) Organizing Shareholders’ meetings: The ordinary and extraordinary meetings. 6) Updating the Bank’s Code of Corporate Governance and its appendices. 7) Reporting to the shareholders on the state of corporate governance in the annual general meeting on a yearly basis. 8) Arranging for the orientation of new directors as well as for ongoing training for all Board members. 9) Ensuring that the Board of Directors and all Board Committees meet at least the minimum number of meetings set in the Corporate Governance Code and the Committees’ Charters. 10) Ensuring that the Bank complies with laws and regulations, its internal policies, its charters as regards governance as well as the Code of Ethics. 11) Maintaining the register of the directors (personal details, CVs…). 12) Providing the shareholders, directors, investors with the books, records and accounts of the Bank during regular business hours and upon reasonable notice, access, in a timely manner and at the Bank’s principal place of business as it does not conflict with Banking Secrecy Law.

The Corporate Secretary acts as secretary for the Board Consulting Strategy and Corporate Governance Committee and for the Board Nomination and Remuneration Committee.

The Corporate Secretary is appointed by the Board of Directors for its entire mandate.

5.7 **Board of Directors Self-Evaluation**

In order to assess its areas of strengths and weaknesses, and improve the efficiency and effectiveness of its decision making, the Board of Directors undertakes an annual evaluation of its performance. Every year, the evaluation should be conducted in the Board’s first meeting held in the said year and before the meeting of the Board Nomination and Remuneration Committee and the annual shareholders’ meeting. Board members should fill a questionnaire to evaluate the global performance of the Board. Questions focus on topics like: Board Structure and Committees, Board Meetings and Procedures, Strategy Formulation & Effectiveness, Relationship with Management, Board of Directors’ Functions, Corporate Governance Compliance, Succession Planning and Training. Questionnaire copies are collected by the Corporate Secretary, who will disclose the outcome to members. The Board can then discuss the weaknesses in a constructive manner and focus on ways to improve itself. The same exercise will also be conducted by the Directors to evaluate the performance of the Chairman.

5.8 **Monitoring Board Functions and Accountability to Shareholders**

The Bank’s annual report shall clearly show the number and dates of Board meetings held in the ending year. The Board shall also provide to the shareholders’ general assembly, if requested by any shareholder, information showing the number of meetings missed by every Board member with the reason for such absence.
### SENIOR MANAGEMENT AND BASIC ORGANIZATIONAL STRUCTURE

#### 6 Management

The Bank’s Management is responsible for compliance with this Code. The role of management is to manage the Bank on a daily basis. It is responsible for adhering to the Bank’s policies to achieving the Bank’s aims and related results. In discharging its role, management shall be guided by the interests of the Bank taking into consideration the interests of stakeholders. The Bank shall disclose in its annual report information related to its current management structure. *Ref. Appendix 6 – A Chart of the Organizational Structure*

In order to evaluate the effectiveness of the CEO, the Board of Directors undertakes an annual evaluation of his performance. The CEO as the leading member of Top Management is evaluated on an annual basis by way of questionnaire filled by members of the Board on the basis of various criteria covering: Leadership and Managerial qualities, Communication, Strategy Formulation, Strategy Execution, Judgment and Sensitivity, Financial Planning/ Performance, Financial Performance, Relationship with the Board, External Relations, Human Resources Management Relations, Operations Management, Corporate Governance Compliance, Product/Service Knowledge and Personal Qualities. Questionnaire copies are collected by the Corporate Secretary, who will disclose the outcome to members.

In order to assess the performance of the General Managers, an annual evaluation of their performance shall be conducted by the Chairman–General Manager. The results shall be presented to the Board Nomination and Remuneration Committee through the Secretary of the Board also acting as secretary of the Board Nomination and Remuneration Committee.

#### 6.1 Management Committees

Each of the below mentioned committees should have a documented charter covering each committee’s purpose, members and structure, competencies, meeting frequency, and authorities.

- **a. Executive Committee**
- **b. Credit Committees**
  - Credit Committee n°1
  - Credit Committee n°2
  - Exceptional Credit Committee
  - Follow-Up Credit Risk Committee
  - Provisions Committee
  - Retail Credit Committee
- **c. Asset-Liability Committee**
- **d. Investment and Treasury Committee**
- **e. Marketing Committee**
- **f. Information Systems Committee**
- **g. Human Resources Committee**
- **h. Legal Committee**
- **i. Operations and Internal Procedures Committee**
- **j. Foreign Branches and Subsidiaries Committee**
- **k. Purchasing and Maintenance Committee**
- **l. Information Systems Security Committee**
- **m. Succession Planning Committee**
6.2 Managers

The Bank shall disclose in its annual report information on key members of its management, including their names, positions, and years of experience at and outside the Bank. This type of disclosure applies to the following management functions:

a. General Managers
b. Deputy General Managers
c. Assistant General Managers

Additionally, the Bank shall disclose in its annual report the names of the following management functions:

a. General Management Consultants
b. Management Advisors
c. Top Managers of the Bank’s subsidiaries and foreign branches.

The remuneration of the senior managers except for the Heads of the Control Functions, is determined by the Chairman-General Manager and the General Managers, and it is based on the level of performance of senior managers in advancing the interest of the Bank in terms of profitability, risk and cost control, and the overall management of activities in their respective areas of operations.

The remuneration of the Head of the Group Internal Audit Division and Head of the Group Risk Management Division (Group Chief Risk Officer) shall be proposed by their respective related Board Committees for approval by the Board of Directors. The remuneration of the Head of Group Compliance Division shall be determined and approved by the Board of Directors.

6.3 Internal Control System

The controls cycle is made up of a number of specific steps:

**Step 1: Identify control requirements**
Weaknesses are identified in existing controls or for the introduction of new products or transactions through a review process. The potential for losses from possible control failures is quantified and priorities are organized.

**Step 2: Develop and implement controls**
Systems are amended or put in place to control the risks identified in Step 1. These systems may be automated or manual, or a combination of the two.

**Step 3: Enforce compliance**
Day-to-day compliance is the responsibility of line management supported by the corresponding control systems.

**Step 4: Review existing controls**
Existing systems and controls may be reviewed on an ad-hoc basis or on a scheduled regular basis. The Group Risk Management Division, the Group Internal Audit Division, the external auditors, and the supervisory authorities conduct such reviews.
6.3.1 Organization and Procedures

Sound internal control shall be reflected in the organization and procedures of the Bank’s operations and is ensured through sound management of the following systems:

- Controls
- Duties
- Authorities
- Limits
- Organization Chart

6.3.1.1 Insider Transactions

It is contrary to the Bank’s regulations for any of the staff at any level to be engaged in speculative trading of any security including the Bank’s own securities, i.e. to buy and then sell the same security within a single week period.

6.3.1.2 Separation of duties and management of conflict of interest

6.3.1.2.1 No person in the position of Chairman, General Manager, Assistant General Manager, Manager, nor Assistant Manager is allowed to undertake individual commercial activities or be a member in a company where unlimited liability may be conferred.

Employees are required to avoid acquiring any business interest or participating in any other commercial activity outside the Bank unless this has been pre-approved by General Management.

6.3.1.2.2 The Bank ensures that all its employees perform their duties conscientiously, honestly, and in accordance with best practice and the best interest of the Bank. Employees are not allowed to use their positions with the Bank or the knowledge they gain during the course of their employment with the Bank for private or personal advantage or the private and personal advantage of their related parties. All employees are required to notify their supervisors at the arisal of any potential or perceived conflict of interest with the Bank.

6.3.2 Group Internal Audit Division

A system for internal audit shall be maintained with the Internal Audit Function managed by a full time manager reporting directly to the Board. The mission of the internal audit function includes but is not limited to:

a. Auditing operations and financial statements;

b. Assessing the efficiency of internal control processes;

c. Ensuring compliance with laws and regulations; and

d. Preparing periodic reports to the Board.

The internal audit manager is appointed and remunerated pursuant to Board resolutions. The internal audit manager reports directly to the Board Audit Committee and is responsible to submit quarterly reports to the Board including the assessment of compliance by the Bank with applicable laws and regulations including the provisions of this Code.

6.3.3 Group Risk Management Division

A system for risk management shall be maintained with the Group Risk Management Division managed by a full time manager reporting directly to the Board. The mission of the Group Risk Management Division includes the establishment and monitoring of systems for identifying, evaluating, and controlling risk.

The Risk Manager is appointed pursuant to a Board resolution. The Risk Manager reports to the Board directly or through the Board Risk Management Committee and to General Management of the Bank.

6.3.4 Group Inspection Unit

An Inspection Unit shall be responsible for providing inspection, oversight, and audit on the Bank’s subsidiaries and foreign branches. The Group Inspector is appointed pursuant to a Board resolution and reports to the Board Audit Committee and to General Management of the Bank.
6.3.5 **External Auditors**

6.3.5.1 **External Auditors’ Duties, Responsibilities, and Accountability**

6.3.5.1.1 An annual audit shall be conducted by an independent, competent, and qualified, auditor in order to provide an external and objective assurance to the Board and shareholders that the financial statements fairly represent the financial position and performance of the Bank in all material respects.

6.3.5.1.2 The Bank’s external auditors must attend the annual Ordinary General Assembly and deliver their Annual Report.

6.3.5.1.3 The external auditors are accountable to the shareholders and owe a duty to the Bank to exercise due professional care in the conduct of the audit.

6.3.5.1.4 The external auditors shall submit, to the General Assembly, a separate report of related-party transactions evidencing the relationship between the Bank and the concerned related party. The report should include details on the type of transaction whether effected directly or indirectly to the related-party.

6.3.5.1.5 The external auditors have the duty to report to the Board and to Management, during the course of their audit, any arising issues of violation and non-compliance, and any other issues that warrant high-level reporting.

6.3.5.2 **External Auditors’ Independence**

6.3.5.2.1 The Bank’s external auditors may not be contracted by the Bank to provide any advice or services other than the auditing of the Bank. The external auditors must be fully independent from the Bank and its Board members and shall not have any conflict of interest in relation to the Bank.

6.3.5.2.2 External auditors may not have interest with any group or entity with intention to affect the price or performance of any instrument issued by the Bank and publicly traded on stock exchanges.

6.3.5.2.3 The Bank shall not, in any form or case, provide preferential treatment nor grant facilities to the individual external auditors, their companies or affiliated entities, or any member of their families.

6.3.5.3 **External Auditor Qualifications**

External auditors should be qualified, accepted as Court representatives, and certified.

6.3.5.4 **External Auditor Appointment**

External auditors are appointed for a period of three years by the General Assembly.

Different auditors shall be appointed on a rotational basis, noting that rotation within the audit office among partners belonging to the same office ensures compliance with the rotation requirement.

6.4 **Continuity Planning and Disaster Recovery**

The Bank shall ensure a comprehensive system of risk management on a group level. The Group Risk Management Division shall plan for the Bank’s continuity and disaster recovery mechanisms, which shall encompass the management of operational, market, and credit risks in events of high severity. The Group Risk Management Division and the Business Continuity Planning Committee, a Sub-Committee of the Information Systems Security Committee, shall oversee the planning and implementation of these mechanisms.

6.5 **Succession Planning**

Succession planning is the process of identifying and developing candidates for high level management positions that become vacant due to lost leadership, new business opportunities or new environments.
The Bank is required by the Banking Control Commission under Circular 262 to have a Succession Plan for key positions and that the Chief Risk Officer should ensure the existence of such a plan.

To face the challenges of replacing existing managers and adding new managerial staff to support the expansion of the Bank locally and abroad, BLOM Bank has established a Succession Plan to provide continuity in leadership and to avoid extended and costly vacancies in key positions.

The Succession Planning policy is applied to BLOM Bank sal. It relates to the members of the Board of Directors, the members of Committees and Senior Managers. This policy is approved by the Bank’s Board of Directors and will be reviewed annually or when required.

The Board Nomination and Remuneration Committee is the Committee responsible for planning the succession of Board members as well as General Managers. Whereas, the Succession Planning Committee is the Committee responsible for setting and reviewing the succession plan for Senior Executives (Heads of Divisions, Departments and Units, which act as standalone activities). In addition, the Succession Planning Committee oversees the Succession Plan for Branch Managers.

6.6 **Dealing with Foreign Branches and Subsidiaries**

The Chairman – General Manager of the Bank shall ensure that Foreign Branches and Subsidiaries work in a manner to ensure the successful realization of the Bank’s strategic objectives. As such, the Chairman – General Manager maintains constant communication with the management of Foreign Branches and Subsidiaries.

The Foreign Branches and Subsidiaries Committee is responsible for coordinating between different departments and between subsidiaries. It reviews administrative and financial reports incoming from the Bank’s foreign subsidiaries, and assigns an internal audit team to visit these subsidiaries at least once a year. The resulting report will be presented to the Board Audit Committee. Other visits from the Group CRO and the CFO will also be made to foreign branches and subsidiaries. Summaries of their findings should be submitted to the Foreign Branches and Subsidiaries Committee, and in the case of the Group Chief Risk Officer, full reports of any of the site visits should be submitted to the Board Risk Management Committee.

Foreign Branches and Subsidiaries should submit standardized financial reporting packages to the Head Office for financial consolidation purposes and to aid in the financial performance assessment of the Foreign Branches and Subsidiaries by the Head Office. Each Foreign Branch and Subsidiary must submit a Business Plan to the Head Office for the coming calendar year. In addition, each foreign branch and subsidiary should also submit following the end of each quarter a Business Letter in accordance with BCC Memorandum 16/2007, summarizing performance and any key events during the said quarter and explaining any major variation from the Business Plan.
TRANSPARENCY AND INFORMATION DISCLOSURE

7  Transparency and Communication

7.1 Internationally Recognized Accounting Standards
The Bank shall adopt international accounting and financial reporting standards in the preparation of its financial reports and the disclosure of related information.

7.2 Investor Relations

7.2.1 Public Disclosure
The Bank shall ensure that communication to the public of material information that may significantly affect the price of any of the Bank’s securities that are publicly traded is timely, accurate, and disseminated in accordance with applicable legal, regulatory, and stock exchange requirements. Ref. Appendix 7 – Disclosure Policy

7.3 Stakeholders
The Bank shall maintain a website and make reports, summary reports, and/or other investor relevant information available in both Arabic and English languages.
8

**Human Resources**

8.1 **Group Human Resources Management**

Human resources at the Bank are managed in an ethical and transparent manner. The Bank shall constantly provide equal opportunities to (potential) employees at all levels without discrimination of any kind. Accordingly, the Bank will disclose in its annual report information and statistics on the composition of its human resources, its human resources policies and procedures for recruitment, compensation, and promotion. The disclosures should include at least information as follows.

8.1.1 **Disclosures**

8.1.1.1 **Allocation of Human Resources**

- Gender Allocation Of Human Resources
- Age Allocation of Human Resources
- Allocation Of Human Resources Per Education Level
- Geographic Allocation Of Human Resources
- Allocation Of Human Resources Per Responsibility Position

8.1.1.2 **Human Resources Turnover**

8.1.1.3 **Recruitment Policies and Procedures**

- Job Application
- General Conditions
- Special Conditions

8.1.1.4 **Training**

8.1.1.5 **Remuneration Policy**

The Board has developed a written Remuneration Policy that covers all categories of employees at BLOM Bank, its local banking subsidiaries and its foreign branches insofar it does not conflict with the applicable laws in the said countries. The Remuneration 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 includes as well the criteria adopted to compute the compensation of Board members and Senior Management members.). It also aims to provide clarity on how employees will be paid and what benefits they may receive. This policy is considered to be an integral part of the Bank’s corporate governance practices.

The Remuneration Policy is committed to ensure that the Bank is able to:

- Motivate its staff to perform in the best interests of the Bank and its stakeholders
- Appropriately compensate its personnel for the services they provide to the Bank
- Attract and Keep the most qualified and experienced individuals
- Provide an appropriate level of transparency
- Ensure a level of consistency across the Group

The remunerations of all Bank employees can comprise fixed and variable components (cash and other non-monetary incentives). These components are determined based on the different business specifications and fields of the Bank as well as the nature of work of the employees and the level of their responsibilities. The overall granted remunerations should not affect the financial position of the
Bank, its interests, its current or future capacities (in the medium and long terms), its liquidity, its reputation as well as its capital adequacy.

8.1.1.6 Promotion and Career Development

- Qualifying examinations at specific grade levels and continuous job assessments;
- Appointment of inspectors and specialists to management positions; and
- Special management and intensification of staff identified as having high potential.

8.1.2 Equal Opportunities Policy

Top Management shall ensure that the Bank’s employees are treated according to the principles of fairness and equity and without any discrimination whatsoever on the basis of race, gender, or religion.

8.2 Health and Safety at the Workplace

The Bank is committed to actively manage its health and safety risks including the risks of fires, accidents, and injuries to employees, clients, and visitors.

8.3 Code Of Conduct

The Bank has developed a culture of honesty and integrity throughout its history. This culture has been established as the “Tone at the Top” and is embraced by the Chairman and the Directors all the way to every individual employee at the Bank. Consequently, the Bank has adopted a Code of Conduct and other internal policies and guidelines, consistent with the Bank’s purpose and values, and to comply with the laws, rules, and regulations that govern the Bank’s business operations. It is the responsibility of management to design, update, and implement these programs and controls to ensure the prevention and detection of fraud, and to also ensure a culture and environment that promotes honesty and ethical behavior.

In particular, the Code of Conduct aims at addressing the following:

- **Zero-tolerance policy**: Illegal activities are prohibited, even if they benefit the Bank.
- Employees shall conduct themselves in a businesslike manner. Unprofessional behaviors are strictly prohibited while on the job and will expose the concerned employee to the most severe punishment under the law.
- Employees shall perform their duties conscientiously, honestly and in accordance with best practice and the best interest of the Bank. Employees should immediately notify their immediate supervisors in case of potential or perceived conflict of interest with the Bank.
- Employees shall share the responsibility for BLOM’s outstanding public image and relations, especially at the community level and must avoid acquiring any business interest or participating in any other commercial, charitable, educational, civic and professional activity outside the Bank unless preapproved by the General Management.
- Employees shall 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.
- Employees who by nature of their jobs have access to the 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 manual.
- All 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.
- Employees must take care not to compromise the integrity or damage the reputation of the Bank when dealing with anyone outside the Bank, including public officials. They must not disclose publicly any information on behalf of the Bank unless the Bank wishes or desires that such views are expressed and publicly disseminated.

- **Hotline**: A mechanism enabling an employee to report to General Management on any behavior of any of the employee’s direct or indirect hierarchical superiors, where such behavior is unethical, illegal, or detrimental to the Bank. The Hotline is part of the Bank’s early warning signals. It enables the management to react quickly and swiftly to investigate issues and often resolve problems prior to costly litigation or negative publicity. The Management shall ensure that the employee addressing the Management shall be protected from any nuisance or negative reaction of the employee’s hierarchical superior especially when the reported act relates to any such superior.

- **Equitable treatment of all employees**: Management will view all employees at equal footing with regard to fraud.

### 8.4 Code of Banking Ethics

#### 8.4.1 Objectives of Banking Ethics

a. Establish defined, unified, and adequate standards for sound and safe banking practices;
b. Raise the level of transparency and openness in banking practices;
c. Reinforcing mutual trust within the banking sector and the corresponding counterparts;
d. Ensuring healthy competition with other banks in order to provide better services and products for customers;
e. Continuously ensure the rights and interests of customers, shareholders, and other stakeholders;
f. Ensure the presence of an ethical professional and good-conduct staff ready to put aside personal interests for the sake of the Bank’s interests;
g. Employees are not allowed to accept gifts with a value exceeding $200 (two hundred US Dollars) without reporting such gifts to General Management.
h. Employees are not allowed to accept entertainment, personal favors, or any other preferential treatment that may, in any way – real or perceived – appear to influence their decisions in favor of any person or organization with whom the Bank is likely to have a future business relationship. The Bank strictly prohibits the acceptance of kickbacks and secret commissions from suppliers or others.
i. All time compliance with applicable banking directives and decisions

#### 8.4.2 Principles of Banking Ethics

The Bank aims to operate within sound ethical principles. These encompass:

- Integrity And Fairness
- Confidentiality
- Professionalism
- Compliance With Directives
- Monitoring Procedures
- Sound Implementation
- Transparency Of Transactions
- Good Customer Services
- Promotion Of Banking Services - Advertising
- Transactions Giving Right To Suspicion
- Collecting And Keeping Information On Customers
- Handling Customer Complaints
- Interbank Relations
9 Customers and Suppliers Relations

9.1 The Bank’s Relations with Suppliers

The Bank’s supplier relations are governed by the principle of transparency in the contract terms. The Bank cooperates with suppliers who meet objective and measurable criteria, such as reliability and market position.

9.2 Employee Relations with Customers and Suppliers

Employees are required to 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 are required to avoid establishing any other type of 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/her duties.

In order to implement the policy relating to “The Principles of Banking and Financial Operations with Customers” and inform the bank’s clients about their rights and responsibilities and in accordance with BDL basic circular 134 and the BCC circular 281, the Bank has established the Group Customers Advocacy Department. The Department performs mainly the following tasks: - To contribute to the development of customers’ awareness and education programs. - To receive claims from customers, examine them, give an opinion in this regard and follow-up on the action. - To inform the customer about the outcome of the claim. - To submit directly to the General Management periodic reports, at least quarterly, about customers’ claims, the nature, handling, and outcome of these claims, and the measures proposed to improve the “Customer Obligations & Rights” (COR) document. The General Management must be promptly notified of any major critical claim that might expose the Bank to high reputational risks or significant financial losses; and a copy of these claims must be sent to the Board of Directors. -To take prior cognizance of the ads, brochures, contract samples, account statements and other documents provided to customers; to review them and submit the necessary suggestions that guarantee their clarity, transparency and consistency with the provisions of the regulatory instructions.

10 Raising Awareness and Application of Corporate Governance

The Bank believes that it is already essentially compliant with the Corporate Governance principles as set out by the Basel Committee. It recognizes that Corporate Governance is a dynamic and not static concept and as such shall ensure that current compliance is maintained as business practices evolve.

10.1 Board Level

As the body authorizing this document and ultimately responsible for corporate governance within the Bank, members of the Board shall endeavor to keep abreast of developments in and issues related to corporate governance. It is the responsibility of each Board member to be familiar with the items contained within this Code and to promote the principles of good corporate governance as outlined by the Basel Committee.

The Board of Directors is responsible for ensuring constant oversight over the Bank’s strategic objectives as well as over the organizational structure such that reporting lines are clear and transparent and accountability and segregation of duties are assured. The Board holds the Senior Management accountable for application of its will through the discharge of all Board approved policies. The paramount importance of the internal control functions is recognized by the Board in facilitating the effective discharge of its oversight role and the Board shall ensure that these functions are adequately resourced to always carry out their duties.

The Board is committed to good corporate governance as set out in this Code. The Board assigns Senior Management to ensure the effective and continuous application of this Code throughout the Bank. Senior Management are responsible to ensure that all Business Units apply good corporate governance in their practices, and that those Heads of Business Units are in turn responsible for ensuring the effective filtering down to all employees of a good corporate governance culture as reflected in this Code.
10.2 **Employee Level**

Senior management shall ensure that employees are made aware of this Code and its contents. The Code shall be accessible on the Bank’s website and presentations shall be given to employees to facilitate their understanding as well as raise their awareness of good corporate governance. These presentations shall be conducted at least every two years to representatives of all branches and business units who in turn will report to all employees the content of the presentations. In order to ensure that all employees have attended these presentations, attendance forms specifying the date and names of the present employees will be filled in the branches and the business units and sent to the Human Resources Division which will report findings to the Corporate Secretary. Corporate governance awareness is also incorporated into induction presentations for all new employees in the Bank.

Adherence to the Bank’s Code of Conduct and its standards of ethics and professionalism is considered an essential part of employees’ contribution to good corporate governance. This is supported by the Bank’s commitment to ensuring that its employees receive ongoing training to enhance their skills and are treated equitably. Presentations shall be conducted every year to representatives of all branches and business units who in turn will report to all employees the content of the presentations. In order to ensure that all employees have attended the presentations, attendance forms specifying the date and names of the present employees will be filled in the branches and the business units and sent to the Human Resources Division. In addition, presentations on the Code of Conduct are provided to all new employees.

11 **Implementation of the Corporate Governance Code**

Success in implementing corporate governance policies and practices requires the Bank’s leadership to take responsibility for ensuring that governance changes are implemented. The oversight and support for implementation sets the proper tone at the top which, when combined with effective mechanisms for monitoring and following up, can help to ensure successful implementation.

Corporate governance improvement is a continuous process. Having the right set of policies, practices and structures is not enough to ensure that changes in governance will really take place. The implementation and maintenance processes are also essential to make things work properly. The governance system has to be monitored along the way so that it can be adapted to new situations, and to ensure that knowledge and information related to earlier governance efforts is captured.

It is mainly the responsibility of the Board of Directors to ensure that within the applicable legal framework the company’s corporate governance is well balanced and in accordance with the code. The Board also pays attention to its own functioning and evaluates its governance by introducing mechanisms that ensure these objectives. Such mechanisms include self-assessment and appointing a separate Corporate Governance Committee. In addition, all Board Committees’ Chairmen are required to report to the full Board about all matters discussed and approved within each Committee.

In addition to the Board of Directors, internal auditors are considered as an effective monitoring body because they often have a deep and profound knowledge of the Bank’s functioning and governance practices. As part of the yearly audit assessment, the auditors check if the code is being well implemented, if the Committees are having enough meetings as stated in the Charters and if minutes of meetings are well taken and maintained in safekeeping.

The Corporate Secretary is responsible for ensuring that the Bank complies with laws and regulations, its internal policies, its Charters as regards to governance as well as the Code of Ethics. The Corporate Secretary is responsible for ensuring the proper implementation of the Code at all levels and the compliance of the Bank with its Code. In addition to that, the Corporate Secretary reports annually to the Consulting Strategy and Corporate Governance Committee on the state of Corporate Governance in the Bank.

In addition, the Board, Top Management of the Bank and Corporate Secretary shall ensure that the Bank’s annual report contains a summary on the state of Corporate Governance in the Bank and any related initiatives taken in the period covered.
12 Appendix 1 – Group Chart
Appendix 2 – Board Audit Committee Charter
Appendix 3 – Board Risk Management Committee Charter
Appendix 4 – Board Consulting, Strategy and Corporate Governance Committee Charter
Appendix 5 – Board Nomination and Remuneration Committee Charter
Appendix 6 – Board Compliance Committee Charter
Appendix 7 – Organizational Structure

Divisions/Depts/Units
- Administration
- Branch Network Management
- Central Funds Transfer
- Central Operations & Group Strategic Planning
- Communications
- Corporate Credit & Relationship
- Corporate Secretary
- Credit & Facilities
- External Legal Affairs
- Finance
- Financial Institutions
- Financial Markets
- Group Compliance
- Group Customer Advocacy - Lebanon
- Group Inspection
- Group Internal Audit
- Group Risk Management
- Human Resources
- Information Systems
- Internal Legal Affairs
- Liability Product Management
- Marketing Overseas
- Marketing Overseas - Gulf Region
- Properties & Facilities
- Recovery
- Retail Banking
- Risk Management - Lebanon
- SMEs Relationship
- Trade Finance
- Treasury

Committees
- Asset Liability Committee
- Bidding Specification & Evaluation Committee
- Credit Committee 1
- Credit Committee 2
- Executive Committee
- Exceptional Credit Committee
- Forex / CFG Committee
- Follow-up Credit Risk Committee
- Foreign Branches & Subsidiaries Committee
- Human Resources Committee
- Internal Audit Committee
- Information Systems Security Committee
- Information Systems Committee
- Information Systems Security Committee
- Investment & Treasury Committee
- Legal Committee
- Marketing Committee
- Operations & Internal Procedures Committee
- Provisions Committee
- Purchasing & Maintenance Committee
- Retail Credit Committee
- Security & Safety Committee
- Social Responsibility Committee
- Succession Planning Committee
- Succession Planning Committee (Jordan Branches)

Branch Managers
- 73 in Lebanon
- 1 in Cyprus
- 14 in Jordan
- 1 Representative office in Abu Dhabi
- 2 in Iraq
19 Appendix 8 – Disclosure Policy