

# Corporate Governance Guide

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# Introduction

## 1. History

- 1930: Incorporation of a branch of a French bank, Compagnie Algérienne de Crédit et de Banque, that became Compagnie Française de Crédit et de Banque (CFCB).
- 1967: Banque Libano-Française was founded; CFCB keeping 70% of its shareholding.
- 1970: Banque Indosuez acquired 5% of the Bank capital.
- 1973: Bank Indosuez increased its stake to 20% following a partial acquisition of the shares of Compagnie Française de Crédit et de Banque, which became Parthena Investment.
- 1992: Banque Indosuez increased its shareholding to 51%.
- 1996: With the acquisition of Banque Indosuez by Crédit Agricole in July, Banque Libano-Française became part of one the world major banking groups.
- 1999: Banque Libano-Française acquired 100% of Crédit Agricole Indosuez Liban (CAIL), a financial institution specialized in securities brokerage and portfolio management.
- 2000: The Bank diversified its services to include insurance products by owning 31% of Bancassurance S.A.L., a life insurance company established under the Lebanese Law and owned by Predica (20%), Crédit Agricole life insurance subsidiary and leader in Bancassurance activities in France, as well as by Fransabank (49%).
- 2001: The Bank developed a concept for its branches to offer a friendly reception, a personalized counseling and self-service banking. It has even remodeled the branches to be modern and comfortable.
- 2002: The Bank created a credit card processing center, Centre de Traitement Monétique (CTM), in partnership with Société Générale de Banque au Liban (SGBL).
- 2003: The Bank continued to expand its local network bringing the number of its branches to 29. It also created and developed, in partnership with the French company Interex S.A., a help and advice service pole dedicated to international trade: [www.interexlebanon.com](http://www.interexlebanon.com)
- 2004: Crédit Agricole Group reduced its exposure in Lebanon, anticipating the implementation of Basle II new conservative rules. Therefore, Calyon (former Crédit Agricole Indosuez) reduced its stake in the Bank to 9% in July, maintaining privileged banking relationships with the latter.  
BLF launched the Phone Banking and the Internet Banking.

2005: In December, Banque Libano-Française increased its capital from LBP 100 billion to LBP 200 billion by incorporating its reserves and raised USD 100 million for a preferred shares issue.

It also launched a large restructuring project, for the eventual implementation of a matrix organization.

2006: In January, Banque Libano-Française finalized the acquisition of 78.3% of Banque SBA shares. Banque SBA is established in France (Paris) with a financial subsidiary in Geneva known as LF Finance (Suisse) SA, and a branch in Cyprus (Limassol).

In December, the Bank submitted to the Syrian authorities a request for a banking license.

2006 also witnessed the launching of BLF new corporate image and the largest advertising campaign in its history, thus highlighting its positioning as a financial partner and a major player in the Lebanese banking sector.

2007: The Bank continued remodeling its branches and launched a new distribution channel: The Call Center.

In August, BLF acquired the new T24 core banking system from Temenos and several financial applications from Oracle to improve productivity, efficiency and to optimize the security.

2007 also saw the implementation of an action plan to comply with Basel II criteria.

2008: BLF revamped its website [www.blfrade.com](http://www.blfrade.com) (previously [www.interexlebanon.com](http://www.interexlebanon.com)) to enhance its positioning as a partner of enterprises wishing to invest in international trade.

2007 also witnessed the inauguration of the “Floor”, a state-of-the-art trading room shared by BLF team and the team of its financial arm, Libano-Française Finance (LFF).

On an international level, the Bank received the “Most Active Global Trade Finance Program Issuing Bank in Middle East and North Africa” award from the International Finance Corporation (IFC), a member of the World Bank Group.

2009: BLF obtained an official license from the UAE Central Bank to establish a Representative Office in Abu Dhabi.

At home, the branch network continued expanding, bringing the number of its branches to 39.

2010: Banque Libano-Française issued in February a USD 100 million of Tier 2 Non-Cumulative preferred shares.

BLF opened a new branch in Tripoli – El-Mina, thus expanding its local network to 40 branches by the end of 2010.

Moreover, the Bank opened a Training Center equipped with the latest technology to build a better framework for the staff training sessions.

BLF also celebrated its 80<sup>th</sup> anniversary and won the prize of the best website in the Arab world.

- 2011: In March, Banque Libano-Française increased its social capital to LBP 235 billion by issuing 1,500,000,000 new Tier 3 preferred shares.  
BLF issued in April a USD 150 million of Tier 3 Non-Cumulative preferred shares.  
On the other hand, the Bank launched a new competitive retail and commercial packages: the Wedding Package, Expat Package, Pro Package...  
Moreover, the Bank opened 7 new branches in, Mar Elias, Sioufi, Saida - Boulevard, Jdita - Chtaura, Zghorta Dahr El-Ain and Mizyara, thus expanding its local network to 47 branches by the end of 2011.  
Moreover, the Bank was granted the licenses to open a Representative Office in Lagos, Nigeria, and a branch in Baghdad, Iraq.
- 2012: In September, The Bank increased its stake in Bancassurance S.A.L. from 31% to 40% after Crédit Agricole Assurances S.A. disposed of its stake in the company.  
In order to consolidate its presence in Lebanon, Banque Libano-Française opened new branches in Mazraat Yachouh and Sodeco bringing the number of its branches to 50.  
At the international level, Banque Libano-Française opened a representative office in Lagos, Nigeria and a branch in Iraq reinforcing its operations in the Middle East and Africa.
- 2013: In order to offer its clients a more efficient and faster service, Banque Libano-Française launched in August a new state-of-the-art e-banking platform.  
In addition, the Bank opened new branches in Jal el Dib Center and Lebaa, bringing the number of its branches to 54.
- 2014: On the 1<sup>st</sup> of September, Banque Libano-Française and the Lebanese banking sector lost Farid Raphaël, founder of Banque Libano-Française and its Chariman General Manager from 1979 to 2014.  
Mr. Raphaël was Minister of Finance, Justice and Telecommunications of the Lebanese Republic from 1976 until 1979 and President of the Association of Banks in Lebanon between 1997 and 2001.  
On the other hand, BLF opened three new branches in 2014, in Kantari, Hadat and Hazmieh – Mar Takla, expanding its local network to 54 branches. It also launched a new generation of deposit ATMs offering clients the opportunity to deposit cash or checks at any time.  
In February, the AIR FRANCE KLM – BANQUE LIBANO-FRANÇAISE program was recognized by Bisa as the best co-branded program for 2013. In September, BLF won the “Driving Financial Inclusion” award from MasterCard during the MasterCard Innovation Forum 2014 held in Singapore in the presence of 350 MasterCard partners.  
In October, BLF signed the United Nations Global Compact (UNGC) embracing a set of core values in the areas of human rights, labor standards, environment and anti-

corruption. It also prepared a Corporate Social Responsibility (CSR) action plan based on the guidelines of the ISO 26,000

2015: Banque Libano-Française issued USD 150 million of serie 4 preferred shares. With the opening of the two branches in Jdeideh and Reyfoun, the Bank expanded its local network to 56 branches and more than 152 ATMs, the second largest network of tha ATMs in Lebanon.

Since the establishment of our partnership with the International Finance Corporation, BLF has provided more than USD 180 million in loans to environmentally friendly projects in Lebanon.

Furthermore, the Bank teamed up with Allianz SNA to launch 5 new non-life insurance plans to help protect our clients against various risks.

2016: BLF settled USD 150 billion Series 3 Preferred Shares and issued USD 150 billion Series 5 Preferred Shares which will be part of the main shareholders' equity (Tier 1). In January, BLF launched the international architecture competition to build its new headquarters.

In July, it announced Norwegian-American studio Snøhetta as the winner of the competition, selected by the International Jury.

2017: BLF launches the Lebanon Income Fund, a fixed income fund denominated in USD focused on the Lebanese debt market.

With the opening of two new branches in Kaslik and Kousba, the Bank expands its local network to 58 branches and more than 172 ATMs.

2018: BLF opened two new branches in Kfarhabab and Tyre-Hoche, bringing the number of its local branches to 60 and more than 181 ATMs.

It has redesigned its e-banking platform and mobile app, My BLF, and launched a digital solution that allows its customers to track their transfers in full transparency.

## 2. Capital

The standalone Bank capital amounts to LBP 265,000,000,000 (Two hundred sixty five billion Lebanese Pounds) divided into two categories of shares:

- 1) /23,500,000/ common shares
- 2) 3,000,000 preferred shares:
  - /1,500,000/ (One million five hundred thousand) preferred shares Series 4 (issued in 2015)
  - /1,500,000/ (One million five hundred thousand) preferred shares Series 5 (issued in 2016).

## 3. Shareholding

Percentage of shareholders' ownership:

Libano Holding S.A.L.	35,00%
BLF Investment Holding ltd	13,56%
Financière Raphaël Holding S.A.L.	9,51%
Chaoui Holding S.A.L.	9,15%
Gil Holding S.A.L.	6,00%
Al-Shams Holding ltd	5,00%
Others	21,78%

## 4. Headquarters

Banque Libano-Française headquarters is located in Beirut at the following address:

5, Rome Street

Beirut Liberty Plaza Building

Hamra, Beirut - Lebanon

P.O. Box: 11-0808

Postal Address: Riad El-Solh, Beirut, 1107 2060

Phone: +961 (1) or (3) 79 13 32

Fax: +961 (1) or (3) 79 13 32 ext.1318

Website: <http://www.eblf.com>

## 5. Local, Regional and International Network

### 1. Local Network:

#### Greater Beirut

Accaoui

Achrafieh – Sassine

Bechara El-Khoury

Bir Hassan

Gefinor

Geitawi  
Hamra  
Hamra – Maamari  
Kantari  
Mar Elias  
Mazraa  
Saifi  
Sami El Solh  
Sioufi  
Sodeco

**Mount Lebanon**

Bourj Hammoud  
Chyah  
Dbayeh  
Dekwaneh  
Dora  
Galaxy  
Hadat  
Haret Hreik  
Hazmieh  
Jal El Dib  
Jal El Dib Centre  
Jbeil  
Jdeideh  
Jounieh  
Kaslik  
Kfarhabab  
Khaldeh  
Mansourieh  
Mar Takla  
Mazraat Yachouh  
Mreijeh  
Rabieh  
Reyfoun  
Sin El Fil  
Zouk Mosbeh

**North Lebanon**

Batroun  
Dahr El Ain  
Kousba  
Mizyara  
Tripoli - El Mina  
Tripoli - Tebbaneh  
Tripoli - Tell

Tripoli - Zehrieh  
Zghorta

**Akkar**  
Halba

**Bekaa**  
Bar Elias  
Jdita - Chtaura  
Zahle  
Zahle - Boulevard

**South Lebanon**  
Lebaa  
Saïda  
Saïda - Boulevard  
Tyre  
Tyre-Hoche

**Nabatieh**  
Nabatieh

## 2. Regional Network

**Cyprus**  
Banque SBA SA - Limassol - Cyprus  
Kanika Enaerios Complex - Block 1  
Iris House 8C, John Kennedy Street  
3724 Limassol, Cyprus  
Phone: +357 (25) 58 86 50  
Telex : 3569  
Fax: +357 (25) 58 74 20  
Swift: SBAA CY21  
Email: [sba.cyprus@eblf.sbacyprus.com](mailto:sba.cyprus@eblf.sbacyprus.com)

**Abu Dhabi**  
Representative Office - Abu Dhabi, UAE  
Al Salam Street, in front of the Abu Dhabi Municipality  
Al Shaheen Tower, 7th floor - 701  
P.O. Box: 130828, Abu Dhabi, United Arab Emirates  
Phone: +971 (2) 643 2028  
Fax: +971 (2) 643 2038

Email: [helpdesk@ebf.ae](mailto:helpdesk@ebf.ae)

### **3. International Network**

#### **France**

Banque SBA SA - Paris - France  
68, Champs Elysées Avenue, 75008 Paris, France  
Phone: +33 (1) 53 93 25 00  
Fax: +33 (1) 56 88 51 00  
Swift: SBAA FR PP  
Email: [sba@ebf-sbaparis.com](mailto:sba@ebf-sbaparis.com)  
Website: [www.banque-sba.com](http://www.banque-sba.com)

#### **Switzerland**

LF Finance (Suisse) SA - Geneva - Switzerland  
86, Rhône Street - 1211 Geneva 3, Switzerland  
Phone: +41 (22) 319 72 00  
Fax: +41 (22) 319 72 27  
Email: [contact@lffinance.com](mailto:contact@lffinance.com)  
Website: [www.lffinance.com](http://www.lffinance.com)

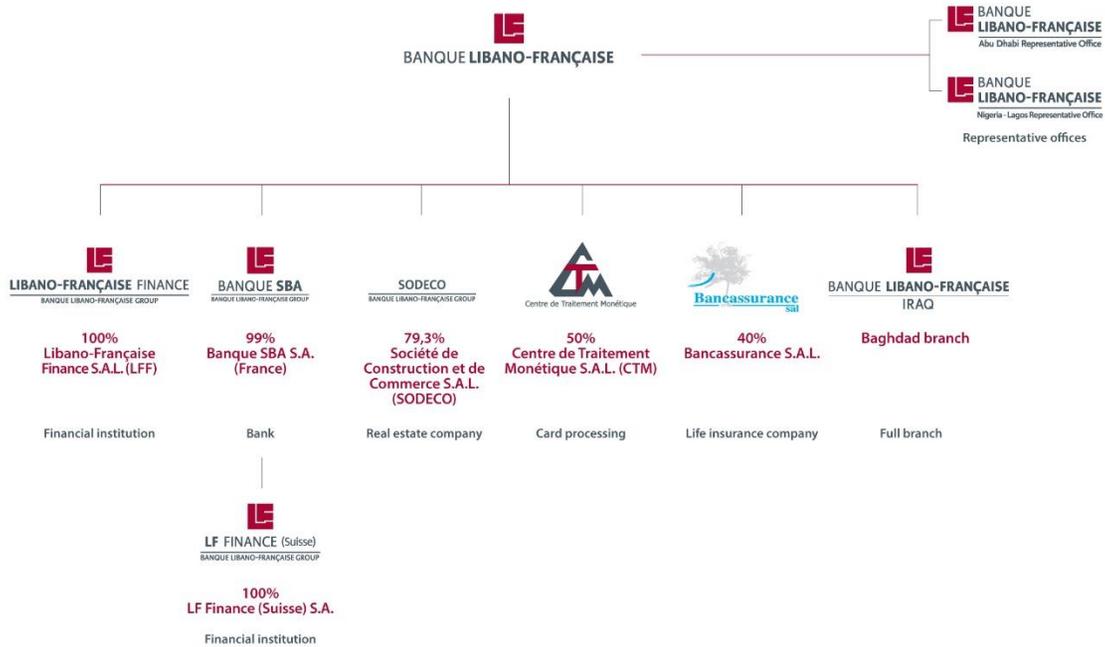
#### **Iraq**

Baghdad Branch  
Building 9/89, Street 29, Zone 905, Karada Kharej, Baghdad, Iraq  
Email: [oussama.skayki@ebf.com](mailto:oussama.skayki@ebf.com)

#### **Nigeria**

Representative office – Lagos – Nigeria  
Mabadeje Plaza, 6th Floor, 49, Bourdillon Street, Ikoyi  
Phone: +234 803 485 8888  
Email: [samir.maalouf@ebf.com](mailto:samir.maalouf@ebf.com)

## 6. Subsidiaries



## 7. Services

Banque Libano-Française believes that banking revolves first and foremost around services that focus mainly on the quality of the relationship with its clients.

On a daily basis, we help our clients achieve their personal and professional ambitions, secure financing and investments, and confront economic challenges.

Whether they are individuals, professionals or business owners, located in Lebanon or abroad, they look for an optimal service at a convenient nearby location. We are committed to offering those services and remaining at their disposal wherever they may be.

Through our networks, we enhance the collaboration between our various business divisions in order to provide, at all times and everywhere, a superior level of service.

### 1) Retail Banking

We offer a complete range of products and services to meet all needs:

- traditional products and services and consumers' loans with competitive conditions
- flexible and advantageous term deposit accounts
- life insurance products with or without retirement, educational or housing plans

- a complete range of Visa and MasterCard credit cards in Lebanese Pounds, US Dollars or Euros
- a large network of retailers members of the Bank card payment system
- efficient online, mobile and phone banking services
- the only call center in the country allowing customers to carry out secure telephone based banking transactions.

## 2) Electronic Banking

We offer a wide range of cards to satisfy the different financial needs of all clients. Each card has specific features and can be used for daily purchases and banking transactions. All BLF cards (excluding the "Internet Card") can be used for withdrawals at all ATMs worldwide and for payments in all outlets affiliated to the Visa and MasterCard networks. Cardholders have access to the Card Customer Service 24h/day.

Clients can also access their accounts and cards information through BLF various electronic services.

All BLF branches have at least one ATM in their premises. In addition to the on-site ATMs affiliated to the branches, Banque Libano-Française has a wide network of off-site ATMs covering all the cities of the country.

Point Cash offers the following services:

- withdrawing cash in USD and LBP
- depositing cash and checks
- checking the account balance (except Revolving)
- checking the ceiling and the balance of the card (except Electron)
- checking the last trading account
- checking the last card transactions
- transfer between accounts with exchange (same client)
- changing the PIN code
- recharging phone cards Alfa and Touch.

Ongoing services:

- transfer between accounts with exchange (between BLF clients).

Additional services offered on our ATMs CCDM- Cash & Check Deposit:

- depositing cash and checks
- requesting a check book
- checking loan details
- settling a payment with the credit card
- making a wedding account payment (with or without card)
- obtaining a statement of account on the screen (today, last seven days, last month, current month)
- donating (with or without a card)
- payment of tuition fees.

The Point Com® e-banking service offers clients the possibility to check their accounts and perform transactions at any time, noting that the online information are updated in the most secure way.

Through Point Call®, clients can receive the latest information about our products and services and perform phone-based secure transactions.

Thanks to Point SMS®, clients can control all withdrawal and payment activities done with their card, thus detecting any kind of fraudulent or false activity.

Thanks to Point Info, clients can keep track of all activities their banking activities and accounts balances through an SMS and email alert service, such as: collection of a bill domiciliation, payment of an unpaid installment, payment of an unpaid insurance, term deposit of an installment renewal, Issuance of a card, etc...

The phone banking service, Point Phone®, allows BLF clients to perform instant banking transactions with a single phone call in a totally secure way.

In June 2013, Air France-KLM and Banque Libano-Française partnered up to offer clients a co-branded card. This card combines the benefits of a Visa International credit card and the privileges Flying Blue the loyalty program of Air France KLM, the first group of European air transport. The card allows cardholders to earn up to 1.5 Miles for every 1 USD spent and travel to more than 1,000 destinations with the 19 members of the Sky Team alliance. Moreover, it gives them, the possibility to extend indefinitely the validity of their Flying Blue Miles balance.

### **3) SMEs and Professionals**

As an entrepreneur, are you looking for a bank partner? Banque Libano-Française offers you a wide range of banking products and services to meet all your commercial needs in terms of financing and counseling.

Addressed to professionals, micro, small and medium enterprises, these banking solutions contribute to the financing of you current treasury needs (cash facilities), investment needs (short and long-term loans among which Kafalat and others), and include the Pro Package which offers preferential conditions and a Financial Kit.

Banque Libano-Française manages a portfolio of clients, leaders in the Lebanese market.

### **4) Corporate Banking**

The Corporate Banking division was established in 2001 to cater to the Bank biggest clients in terms of turnover and credit facilities. As a leader in the Lebanese corporate market, BLF

manages a portfolio that includes a large number of corporate clients, leaders in the country. It owes its position to the know-how and technical expertise of its teams and to its dedication to customer service. Its portfolio of market leaders includes more than 600 large corporations.

The Bank offers a broad and complete range of products and services:

- credit facilities for working capital requirements
- short, medium and long-term loans and a wide range of special credit facilities (BEI, AFD, ATFP, etc.)
- financial advice
- trade finance and off balance sheet transactions, noting that BLF is the leading provider of documentary credits and letters of guarantee
- hedges.

## **5) Private Banking and Wealth Management**

The activities of Treasury, Capital Markets and Private Banking are conducted within Banque Libano-Française. Libano-Française Finance (LFF) covers brokerage, advisory, portfolio allocation and fiduciary services.

The Private Banking and Wealth Management Division comprises of a team of Relationship Managers whose mission is to explore, identify and attract high-net-worth and ultra-high-net-worth individuals (HNWI and UHNWI) in order to offer them investment advisory services including diversified investment solutions.

The Relationship Managers' priority is to offer clients a relationship built on the highest levels of confidentiality, security and professionalism.

They are assisted by a team of financial advisors and product specialists who work at Libano-Française Finance (LFF) and exclusively serve in the Private Banking business at Banque-Libano-Française.

The following comprehensive range of products and services is offered:

- advisory: investment advisory and portfolio asset allocation
- international and in-house investment funds managed by our Asset Management teams (LF Funds)
- structured products for a variety of underlying asset
- securities and derivatives brokerage services on the international and Lebanese markets
- foreign exchange operations
- fiduciary services.

## **6) Treasury and Capital Markets**

In today's volatile and fragile security environment, the company is facing a real challenge in effectively managing its treasury or in eliminating risks emanating from an uncertain

financial situation. Our team of experts helps companies fully evaluating and analyzing in details the possible negative impact of adverse market fluctuations.

“The Treasury Institutional Sales Desk” offer the Bank clients the opportunity to conduct the usual transactions, and to approach more globally the potential market risks.

It provides access to different markets by accompanying the company through a litany of products that fall under:

Managing the daily cash flow:

- spot deals
- currency exchange
- time deposits
- structured products.

Risk management of foreign exchange:

- forward exchange
- non-deliverable forward exchange
- margin trading
- currency options
- zero-cost options.

Risk management of interest rate:

- forward rate agreements
- interest rate swaps
- interest rates options.

It also gives access to Capital Markets products:

- T-Bills
- bonds
- transactions on Beirut Stock Exchange.

## **7) International Relations**

The International division is in charge of Banque Libano-Française Group relationships with its extensive network of correspondent banks. It supports the various divisions and entities of the Bank in terms of analyzing and following up counterparty and sovereign risks and ensuring that the Group has always the best conditions for interbank and international transactions. It coordinates with the other entities of the Group to provide clients with banking services such as cash management, check clearing, foreign exchange and local and international securities brokerage.

By pro-actively managing correspondent banking relations, the International Division maintains credit lines with a large number of international banks. Such a wide correspondent banking network allows the Bank to adequately cover the needs of its clients, in terms of

availability of confirmation lines and rates and conditions applied to Banque Libano-Française international transactions in trade finance, payments, check clearing, brokerage services or other transactions.

The trade finance confirmation lines were strengthened in 2005 when the Bank joined the Global Trade Finance Program (GTFP) of the International Finance Corporation, becoming first an issuing bank and later a confirming bank in the program. The Bank was the second in the region and the first in Lebanon to join the program. The GTFP gives the Bank a competitive advantage in international trade finance transactions, enhances the correspondent banking network and improves the conditions and transparency of trade finance activities.

The International Division also has business development objectives. It is active in risk participation, forfeiting and structured trade activities, pre- and post-export finance, as well as participations in international financial institutions' syndicated loans, an activity which has been growing substantially at Banque Libano-Française. The International Division is also in charge of the Group international expansion starting with the Abu Dhabi and Lagos Representative Offices, as well as Baghdad branch.

The International Division has structured several cross border transactions and long term borrowings from international financial institutions, such as the Overseas Private Investment Corporation (OPIC), the European Investment Bank, Agence Française de Développement (AFD), the OPEC Fund for International Development (OFID) and the European Bank for Reconstruction and Development (EBRD), as well as other multilateral and international institutions such as the Arab Trade Financing Program and the Inter-Arab Investment Guarantee Corporation.

The International Division seeks continuously to work with high profile clients wishing to expand their professional goals and participate in the international expansion of Banque Libano-Française strategy.

## **8) Investment Banking**

BLF is the leading specialist in engineering and structuring large project finance solutions:

- debt and equity products, including share issues as part of capital increases, fixed and variable rate bond issues and placements
- financing major infrastructure projects
- syndicated loan structures
- arrangement of Islamic structures
- investment banking, securitization, etc.

## **8. Vision/Mission**

Banque Libano-Française is a Lebanese, universal, highly performing Bank, renowned for its professionalism and financial strength.

We aim at being a leading player and a reference in the banking sector in Lebanon.

We are committed to constantly developing our skills to ensure expertise and quality of service, and to maintain and strengthen the trust relationship with:

- our clients who see us as a real partner
- our staff to whom we offer opportunities for self-accomplishment and a promising future
- our shareholders who are looking for capital preservation and appreciation
- the Lebanese banking sector by spearheading its drive towards sustainable growth
- the Lebanese economy towards the prosperity of which we are strongly committed.

We aim at creating shared value while supporting community needs and protecting the environment.

## **9. Values**

Banque Libano-Française maintains with its audience and stakeholders a partnership that relies on its core values:

- Responsibility
- Integrity
- Skills
- Humanism
- Commitment

All these values represent a set of core beliefs which are permanent, steadfast and faithful to our founder's personality and legacy. These values have made our history, they dictate our present and draw the path to follow in the future. They are reflected in our vision, our strategy, our policy and our procedures. They are transmitted in terms of best practice, setting the behavior standards of our employees. By spontaneously and constantly applying our values, we are contributing to the unity, the performance, the competitiveness, the sustainability and the visibility of our Bank.

### **1) Responsibility**

We apply the best practices in our businesses; we do not fear comparison with our competitors; and we accept being judged by our results. We encourage the individual responsibility to guarantee a shared responsibility and train our employees to anticipate and manage the risks, respect their commitments, take full responsibility for their decisions, work in synergy with a constant focus on quality, and evaluate continuously the consequences of their actions. With the ultimate objective of preserving the assets we are entrusted with and respecting the rules of the regulatory authorities and the international bodies, we support the projects of our clients by taking calculated risks and applying a clear and responsible credit policy aiming at protecting the interests of both the client and the Bank.

### **2) Integrity**

Righteousness, loyalty, discipline, reliability and transparency characterize the actions of Banque Libano-Française, which remains true to its reputation as “banker of trust”.

Regardless of the difficulty of the situation or the risks of the projects we undertake, we do not compromise on integrity, ethics and deontology and never violate our firm principles. Instead, we consider it an honor to apply them at all time no matter what happens.

**3) Skills**

Banque Libano-Française is a bank of competences and a benchmark for innovation and financial, technical and technological solutions. We offer a competitive know-how, an advanced expertise and quality services. In order to meet the needs of our clients and to follow the evolution of the markets, we have established a Training Center that provides thousands of hours of annual trainings, and implemented coaching, management and development programs to constantly improve the competences and the knowledge of our employees.

**4) Humanism**

We are well known for the respect, attention, loyalty, and unwavering support we offer to our clients whether in times of prosperity or adversity.

Our human resources represent a vital asset; this is why we ensure their commitment to our vision and corporate values in an atmosphere of respect and equity promoting motivation and fulfillment.

We also aim to create a shared value by supporting the needs of the community and by protecting the environment. We are also actively involved in civil society through a large number of humanitarian, cultural, artistic, social, environmental, entrepreneurial and sports activities.

**5) Commitment**

Our project is based on a commitment towards our stakeholders: clients, employees, shareholders, and the economy of Lebanon. Our Bank has always played a leading role in the development and the expansion of the national economy. It has always believed in the potential and the mission of the Lebanon it continued to serve even in the toughest periods of its history. BLF has successfully contributed to the arranging and financing of important projects in the country, and has actively participated in its reconstruction in the aftermath of war.

Our corporate clients recognize the constant support of BLF which allowed them to maintain and strengthen the economy. Furthermore our numerous activities to support the young entrepreneurs aim to stop Lebanon's brain drain and to ensure ongoing business continuity.

## **10. Corporate Strategy**

In order to fully realize its mission and strategic vision, BLF adopted, in 2004, a more aggressive strategy in order to generate value and ensure its long term growth, as well as the growth of its shareholders, employees and clients.

## 1) Strategy

BLF strategy is based on three principles:

- adopt a policy of growth and development by acquisition, at - the local and international levels. The acquisition of Banque SBA (Paris, Geneva, Cyprus) by the BLF in 2006 was part of a policy of increased openness to Europe. In 2008, the Bank reinforced its regional presence by establishing Representative Offices in Abu Dhabi and Nigeria. At home, BLF continues to enlarge its network of branches. It also issued preference shares in order to finance its regional and international growth, and generate continuous organic growth
- diversify the domains of its activities, in order to offer a complete range of products and services to small, medium and large-sized businesses, as well as individual clients
- further penetrate the market, and enhance its distribution channels, mainly its network of branches, its internet banking (Point Com®), its phone banking (Point Phone®), its sms banking (Point Sms®) and its call center services (Point Call®), and create a true sales culture at the Bank.

## 2) Risk Management

Lebanese banks shall apply the requirements issued by Basel II with some specific provisions adopted by the Lebanese Central Bank.

- The coverage of risks using equity capital, in accordance with Pillar I of Basel II, is applied by Banque Libano-Française as follows:
  - the "standardized approach" for credit risk
  - the "standardized" approach for market risk
  - the "basic indicator approach" for operational risk.
- Banque Libano-Française has applied since January 1st 2018 the new international accounting standards (IFRS 9), which require to book a provision equal to the expected loss estimated on all assets recognized at amortized cost since their origination. The bank's approach is in compliance with regulatory guidelines as issued by the BDL circulars 143 and the Banking Control Commission circular 293.
- The amount of the losses depends on the classification of the asset into the 3 stages defined by IFRS 9:
  - "Stage 1": Performing assets - the loss is estimated on the basis of the probability that the asset might default in the next year. The probability of default (PD) applied is the one year PD
  - "Stage 2": Underperforming assets - the loss is estimated on the basis of the probability that the asset might default throughout its lifetime. The probability of default (PD) retained is the "lifetime PD"
  - "Stage 3": Non-performing assets - the loss is calculated on the basis of the recoveries expected on the asset, and estimated on a case-by-case.

The provisions calculated for Stage 1 and Stage 2 are booked as collective provisions. While for "Stage 3", the provisions are specific.

For assets related to the loan portfolio of clients , the internal rating generated from the use of Moody's risk Analyst " ( MRA) since 2011 stands as a key criterion in the application of the new accounting standards.

Banque Libano-Française is in line with the intermediate circular n° 422 of the Banking Control Commission regarding the Loan Grading System of Credit Risk, an advanced method of measuring credit risk. It is ready to pass to the “Foundation” approach of Pillar 1 of Basel II, to calculate the shareholders’ equity coverage for credit risk.

The internal evaluation of the capital adequacy with regard to risk governance and risk coverage has been part of BLF procedures since 2011. This is in the framework of the annual ICAAP (Internal Capital Adequacy Assessment Process) and in compliance with Pillar 2 of Basel II.

Banque Libano-Française plans growth and risk governance, and adapts its management policies in view of Basel III, with regard to equity as defined by the Central Bank of Lebanon in 2016, and to the requirements of Basel III committee: leverage ratio and liquidity and with regards to the new requirements of the International Accounting Standards IFRS 9, applicable as of January 2018.

Banque Libano-Française has pioneered in its charter of Committees which are formed out of the Board of Directors by the Committee of Risk Credit Administrators, created more than twenty years ago, and known today as the Risk Committee of the Board of Directors.

### **3) A partner for your Ambitions**

Banque Libano-Française adopted in 2006 a new signature "A partner for your ambitions". As its corporate campaigns clearly show, the Bank is highly committed to investing time, effort and funds in helping thousands of Lebanese realize their ambitions, each thus becoming a new building block of the country’s economy.

Thanks to the success of thousands of its clients and to the syndicated loans it arranged for financing Lebanon's main reconstruction projects, Banque Libano-Française became a dynamic participant in the rebirth of the local economy and a great beacon of trust in its future.

Furthermore, the Bank firmly believes in supporting and promoting the ambitions of the community among which it exists and operates. By providing its clients with the means to achieve their individual aspirations, Banque Libano-Française contributes to the promotion of social development, art, cultural heritage and youth entrepreneurship thus becoming indeed a true “partner for your ambitions”.

#### **4) A Bank of high technology**

In the past years, Banque Libano-Française conducted a major customer-centric transformation program which is yielding numerous benefits to our stakeholders, namely:

- banking transactions through a multitude of channels (Branch, Internet, Mobile, E-Branch, Call center...)
- personalized banking services in line with the “spending / saving” profiles of our increasingly sophisticated customers base
- centralized automated processes for an enhanced customer experience
- improved controls in order to reduce risks, comply with regulations and thus provide our customers with increased assurances while conducting their banking transactions with us.

To achieve these benefits, the following initiatives were catered for:

- commissioning of a new Temenos T24 core banking system
- setup of a sophisticated infrastructure from IBM that caters for electronic delivery channels
- deployment of Oracle Finance and Business Intelligence applications
- acquisition of state of the art enterprise IBM class servers and EMC unified data storage infrastructure that ensures a consistent common backup, retention and disaster recovery policy on the entire Bank’s data
- investment in a new telecommunications network yielding a higher bandwidth capacity and a series of IP based services from Cisco (IP telephony, Collaboration tools, Video over IP...)
- provisioning of a Disaster Recovery site capable of maintaining our critical banking services through real-time synchronization with our Production center
- installation of advanced infrastructure monitoring tools from the IBM Tivoli family to keep our teams alerted and subsequently our customers served by our systems on a 24/7 basis.

In parallel we are working on widening the scope of operations a customer can perform on our call center (standard operations but also applying for loans, new products....).

All of the above customer advantages were made possible thanks to the pioneering information technology transformation program that our Bank launched five years ago.

## 11. Corporate Social Responsibility

Since its establishment in 1930, and even before the term "Corporate Social Responsibility" became a fashionable trend, Banque Libano-Française has been seeking to look beyond the bottom line by fostering economic growth and contributing to a better society. Over 80 years of presence in the market attest that Banque Libano-Française has always been doing its business in a sustainable manner by embracing its five founding values: Responsibility, Integrity, Competences, Humanism, and Engagement. Inspired by these values and guided by a solid Corporate Governance framework, the Bank adopts a substantial and dedicated CSR strategy focused on four main pillars: Marketplace, Workplace, Community and Environment.

In April 2013, Banque Libano-Française was selected by LIBNOR (The Lebanese Standards Institution, attached to the Lebanese Ministry of Industry) amongst several applicants to participate, as a pilot organization, in the uptake and use of ISO 26,000 guidelines, an International Standard providing organizations with guidance concerning Social Responsibility (SR). By following ISO 26,000 principles, Banque Libano-Française aims at further integrating Social Responsibility in its behaviors, business operations, and interactions with all stakeholders.

Following the conduction of a Gap Analysis based on 7 Core Subjects: Organizational Governance, Labor Practices, Human Rights, Environment, Fair Operating Practices, Consumer Issues as well as Community Involvement and Development, BLF modified in 2014 its Mission Statement to reflect shared value and sustainability.

BLF also formulated in 2014 a new strategy, covering each of its four existing pillars, aiming at Leading Sustainable Banking in Lebanon through:

- Sustainable Lending
- Sustainable Financial Innovation
- Sustainable Support to the Community
- Sustainable Environmental Strategy
- Sustainable Engagement with Stakeholders.

Based on BLF conducted gap analysis and stakeholder engagement survey, the new strategy is addressed in a long term action plan that is to be implemented across all business units at the Bank.

In 2014, BLF also took the next step to longstanding commitment to sustainability by signing a Letter of Commitment to join the United Nations Global Compact, "the world's largest voluntary corporate responsibility initiative that offers a strategic businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption."

In 2015, BLF was selected to sit with other business and non-business leaders - on board of the AUB-led UNGC Local Network Steering Committee to set a plan, oversee the activities of the Network and serve as the focal point of coordination and communication to support the advancement and implementation of the 10 principles through dialogue, the exchange of information and the expansion of the Lebanon signatories to the UNGC.

BLF was also committed to advance the United Nations Sustainable Development Goals (SDGs) and promote them among its stakeholders. Although the Bank strived to cover as many SDGs as possible by promoting health and well-being, providing quality education for all, achieving gender equality and empowering all women and girls, combatting climate change... BLF became a member of the GCNL SDG Council in 2018, by specifically championing SDG 10: Reduced inequalities.

### **1) Marketplace**

Banque Libano-Française has always played a crucial role in Lebanon's development. It encourages entrepreneurship through its support to business incubators and various events such as Horeca, Bader, Berytech and BIAT, and finances start-ups with Kafalat Innovative.

On another front, the culture of a transparent and fair relationship, with a customer-centric approach, has always been a priority at BLF, where Customer Experience Department constantly monitors its service through quality internal assessments, user experience barometers, mystery shoppers and satisfaction surveys. As it is important to note that 70% of BLF's branches are wheelchair accessible.

### **2) Workplace**

Because Banque Libano-Française believes that human capital makes the ultimate difference for sustainable growth, it persistently does its utmost to attract, motivate and retain a talented workforce.

BLF nurtures an inclusive performance culture where accomplishments are rewarded with development opportunities, career advancements as well as attractive remuneration through effective human resources management, all while promoting health and wellbeing at the workplace.

In addition to developing the careers of its employees, the Bank is renowned for its good labor practices, effective internal communication and continual engagement with employees.

BLF is committed to fair and ethical working conditions in compliance with the Lebanese Labor Law, the Bank's Collective Labor Agreement, and the applicable international conventions ratified by Lebanon.

### **3) Community**

BLF supported hundreds of projects including charitable causes, community outreach programs and partnerships in 4 focus areas: culture, education, Humanitarian and social causes, and Economic Development.

BLF engages its employees in corporate volunteering activities, during working hours; this involvement was shown through spreading financial literacy with INJAZ at schools and

universities and through donating blood units with “Donner Sang Compter” (DSC) at the Bank’s premises.

#### **4) Environment**

BLF’s green strategy is based on actively participating in shaping environmental policies, developing eco-friendly products and services, adopting environmentally friendly practices at the workplace (such as the recycling of paper, e-waste, metal cans and banning plastic at the Bank...), while raising green awareness among its internal and external stakeholders and teaming up with green associations, such as Jabal Moussa and Jouzour Loubnan.

## **12. Code of Conduct**

In order to succeed, a business must optimize its human capital by ensuring that all its employees share, understand and respect the same values, rules and procedures.

The Employee Handbook of Banque Libano-Française was hence created in order to:

- facilitate the integration of all employees and reinforce their participation
- inform employees of their obligations and rights, so they can fulfill their duties and responsibilities effectively
- establish a set of regulations and points of reference
- install a culture of discipline, and ensure individual and collective behaviors are in line with the Bank’s expectations, and with the laws and applicable regulations
- ensure the appropriate use of systems, equipment and resources provided by the Bank, in a way that is consistent with the Bank’s mission and that maintains and promotes its image, reputation and client confidentiality
- provide, promote and maintain an atmosphere that is productive, serene, safe and respectful of individual and collective rights.

Summary of the Code of Conduct included in the Employee Handbook:

- during the first six months of work at BLF, new recruits are invited to attend a presentation session tracing the history of the Bank and showing its objectives, management, products and services...
- employees are required to comply with work schedules except in cases of force majeure and regular absence authorization
- employees are required to work with a complete secrecy on all financial, commercial or administrative transactions carried out by the Bank for its own account or for the account of others
- operational Risk is the responsibility of all employees of the Bank on a daily basis; employees are expected to know the operational risks associated with their business and entity, and systematically identify and report any operational risk to their supervisor, as well as potential risks or near misses

- maintaining a healthy work environment, to foster good productivity is the responsibility of all the employees
- in order to maintain a professional image of BLF, consistent with its values at all times and in all places, employees must refrain from posting in public and on social media, political, racist or discriminatory, indecent, indiscreet positions, talks, references, images or links
- employees are required to maintain absolute neutrality with regard to politics and religion manners while at the Bank
- employees must respect the dress code during their working hours at the Bank or while representing it outside
- employees are prohibited to misuse authority, or hierarchical and functional superiority in favor of employees who ask for personal services for their benefit or the benefit of a third party
- employees are prohibited from holding client mandates to enliven their accounts or make transactions on their behalf
- it is forbidden for employees to receive clients, suppliers or prospects, without the consent of the supervisory authority
- it is forbidden for employees to receive gifts from clients, suppliers or prospects, other than objects of use or promotional items of little value
- the rules of conduct that apply to all employees of the Bank strictly prohibit them from participating in gambling and speculation in market transactions.

### **13. Policy of Prevention and Management of Conflict of Interests**

#### **1) Objectives and scope of work**

The Bank may be confronted, in the course of its activities, with situations of conflict of interest. Conflict of interest means any occupational situation in which the evaluation or decision-making power of a person, employee, entity or institution may be influenced or altered in its independence or integrity, by private considerations (personal, family, social, financial interest...) or by a power of pressure emanating from a third party.

A conflict of interest situation may arise in the following cases:

- between the Bank, its shareholders, its leaders or BLF Group companies on one hand, and its clients on the other hand
- between the Bank employees on one hand, and its clients on the other
- between Bank clients with competing interests
- between the Bank and its subsidiaries/institutions within BLF Group.

As part of this policy, clients are defined as: existing Bank clients, prospective clients approached by the Bank and former clients only to the extent that certain legal provisions remain applicable to them (such as banking secrecy).

The Bank, in accordance with the provisions of Basic Circular n°106 of the Central Bank of Lebanon and the recommendations of Basel Committee, has put in place this policy to

identify, prevent and manage conflicts of interest while ensuring the protection and the primacy of its clients' interests.

The system for preventing and managing conflicts of interest consists of the implementation of organizational measures and procedures for the transactions processing and control with the aim of:

- identifying situations that give rise to or are likely to give rise to conflicts of interest that may cause a material risk of harm to the interests of the Bank's clients. A conflict of interest situation arises in particular when the Bank or one of its employees has a direct or indirect interest in a service or transaction that is distinct from the client's interests and which may give rise to a reasonable doubt as to their impartiality and integrity
- putting in place organizational and administrative procedures to prevent conflicts of interest
- establishing appropriate and effective conflict management measures and verify their application.

## **2) Preventive Measures**

Measures and procedures to prevent conflicts of interest have been put in place by the Bank. They are presented to employees in the framework of specific training sessions and are subject to constant update. In general, the Bank's policy is to adhere immediately to any laws or regulations relating to conflict of interests. These measures can be found in the Bank's various codes and procedural manuals and tackle in particular:

- compliance with the provisions of Lebanon's Code of Commerce with regard to situations of conflict of interests between the company and its managers, in particular articles 158, 159 and 160, which require the prior authorization of the general meeting of shareholders between the Bank and its directors, or between the Bank and the entities in which the directors have an interest, as well as the management of companies whose business is similar to that of the Bank
- compliance with the provisions of article 152, paragraph 4 of the Code of Money and Credit, and the basic circular no. 132 of the Central Bank of Lebanon relating to credits granted to related parties. The Risk Management Department prepares at the end of each month, a reporting on the credits covered by these provisions and ensures that the regulatory limits are respected. A procedure allows to identify upstream these credits, in order to anticipate and avoid any derogation
- the employees' transparency on their external activities. It is forbidden for all employees to occupy, without prior authorization from the General Management, administrative or managerial functions, or to occupy a paid employment in another establishment; to hold financial participations in any form whatsoever in any commercial, financial, industrial or other entity without prior notification to the Human Resources Division; to be the representative of any company, regardless of its legal form, without prior authorization from the General Management

- compliance by employees with the provisions of the Banking Secrecy Law and the strict observance of professional secrecy, so that confidential client information is not disclosed to others or used inappropriately. Similarly, the prohibition on the use or disclosure of sensitive or privileged information to which employees have access, both on their behalf and on behalf of third parties
- taking into account the degree of independence required by certain units in carrying out their activities in the organization chart and the mission order of the various entities of the Bank, and the separation of activities likely to generate conflicts between them (departmentalization: mainly in the field of investment services, where different desks are separated)
- the implementation of internal organizational measures based on the "need to know" principle to control and limit the flow of confidential information between the different areas of activity or within a specific department or division. These barriers to information (Chinese walls) may involve separations at the level of premises, staff, reporting lines, files and computer systems, as well as procedures for employee movements and information flows between the different departments or entities of the Bank
- ethical rules imposing an obligation of discretion and confidentiality with respect to any information gathered in the course of transactions with the client in order to ensure the fairness and loyalty required in the relationships with customers
- prohibition and transparency regarding gifts received in the course of professional activities (the manual of employees): employees are prohibited from receiving unusual or excessive gifts from customers, suppliers or prospects (greater than a certain amount) without declaring them and obtaining the agreement of their hierarchical authority
- adherence to the principle of adequacy: in accordance with the provisions of the Central Bank of Lebanon basic circular no. 134 (and its BCC application circular no. 281), the Bank is keen that its employees respect the suitability of the products or services offered to clients, according to their profile, their financial situation and their needs. This imperative protects the client's interest from the commercial objectives of the Bank or its employees, which may give rise to conflicts of interest
- compensation policy: the Bank complies with the provisions of the Central Bank of Lebanon basic circular no. 133 and circular no. 281 of the BCC that the Bank does not consider the volume of products and services sold to customers as the primary criterion in evaluating its commercial employees, which significantly reduces the risk of conflict between the interest of the salesperson and the customer
- supervision of sensitive functions: the Bank has implemented procedures in order to supervise the employees whose main functions are to carry out activities on behalf of clients. In order to meet this requirement, the Bank must, in particular, ensure that the

principle of equal treatment of customers is respected and that telephone conversations concerning transactions in financial instruments are recorded and saved

- prohibiting employees from holding client proxies (the manual of employees)
- the prohibition of an employee executing operations for his own account (the manual of employees)
- whistleblowing: the Bank's current internal warning policy specifically requires employees to refrain from participating in any activity that could give rise to a conflict of interest and to report any eventual or suspicious conflict of interest. The alert is treated confidentially and the whistleblower is protected against any discriminatory measures
- regular training given to employees to remind them of their responsibilities, obligations, and standards of conduct established and adopted by the Bank, in particular with regard to conflicts of interest, and to make them aware of the new risks and legislative and regulatory changes in compliance.

The role of Internal Audit: periodic monitoring of the proper application of the above measures and procedures, supervision of staff accounts and good records retention involving situations of conflict of interest to ensure the effectiveness of this system.

### **3) Conflict of Interest Management**

Any situation of conflict of interest that is either proven or merely potential should be brought to the attention of the General Management. When a conflict of interest materializes, the General Management endeavors to resolve it quickly. It can be dealt with on a Group, an entity or a case-by-case basis.

If, after the analysis and study of the case, the situation involves a risk of damage to the interests of the client, the General Management takes reasonable decisions and measures appropriate to the management of the conflict of interest, which safeguard the interests of the client, when applicable.

The General Management may decide:

- to inform the client clearly of the existence of the conflict of interest situation and the causes and consequences of the conflict
- to execute the operation that is the subject of the conflict only after having obtained the explicit written consent of the client at its execution, despite the existence of the said conflict of interest
- to refuse to carry out the concerned transaction in view of the existence of the conflict of interest.

The General Management then defines and implements corrective actions designed to avoid or limit the resurgence of the identified conflict of interest.

This policy is approved by the Board of Directors of the Bank. It is disclosed to clients and all stakeholders. The Bank will inform its customers of any changes to this policy by publishing an updated version on its website.

## **14. Disclosure Policy**

### **1) Objectives**

This policy, which is part of a long transparent communication practice followed by Banque Libano-Française, confirms its commitment to comply with legal and regulatory requirements, in particular with the Central Bank of Lebanon basic circular no. 106 on corporate governance.

The Bank undertakes to disclose in a timely, accurate and transparent manner, all material information as defined below, so that its shareholders, its clients, supervisory and regulatory authorities and any other stakeholders as well as the various players in the market, can easily access and consult the information so that they understand the nature of its business, the current state of its business and financial situation, as well as its prospects of future development.

The Bank shall, however, take into account the importance and necessity of keeping confidential the details of its strategy and any sensitive or confidential information, the dissemination of which could jeopardize its competitive position.

The objective of this policy is to establish principles and rules to guide the disclosure process.

### **2) Scope of Application**

In general, any important information must be communicated to the public. An important information is defined as any significant information relating to the Bank or its business that affects or may materially affect the value of the Bank's shares and which, if omitted or misleading, may affect the economic decisions taken by those who use it.

The information includes the following:

- the Bank's performance (financial position, financial result and operating profit, dividends distributed, etc.)
- the main shareholders and the voting rights
- the Bank's management and organizational structure
- the objectives of the Bank
- the governance policy, including the policy of managing conflicts of interest, the compensation policy, including directors and senior management
- the data relating to directors, including their qualifications, their membership on the board of directors of other companies and their independence where applicable

- overseeing transactions with the Bank's related parties
- significant and reasonably foreseeable risk factors and the overall risk management strategy
- any major changes in the Bank such as an acquisition, a change of control, a public offering
- any other information that the General Management considers useful for investors or the general public, such as the Bank's strategy on environmental and ethical standards and corporate social responsibility (CSR).

The information in this policy is disclosed to the shareholders of the Bank enabling them to exercise their rights in full knowledge of the facts, as well as to the general public (customers, employees and other stakeholders of the Bank, correspondents, market players) who can access it. As for the supervisory and regulatory authorities, the Bank complies with all their regulatory reporting requirements.

### **3) Basic Principles of the Disclosure Policy**

The disclosure of information must be done expeditiously and in a timely manner. In the event of significant events, the dissemination of information should be done as soon as possible.

The disclosed information must be accurate, complete and accurate. Thus, for example, reported financial results must be externally audited beforehand. If the Bank discovers that an information or document, after its disclosure, contains a substantial error or omission, the information shall be corrected without delay.

The disclosure of information should not be selective. Unfavorable information will be disclosed as well as favorable information.

Bank staff will ensure that important sensitive information remains confidential until it is formally disclosed.

The dissemination of information is fair and non-discriminatory so that it is made available to interested parties at the same time and under the same conditions.

### **4) Means of disseminating information**

In order to allow the widest possible dissemination to the public, the Bank shall disseminate all relevant information in the print or audiovisual media through press releases, or publish such information in its annual report, on its website, or any other means of communication that it considers appropriate.

### **5) Spokesperson**

The Bank appoints among its employees a limited number of spokespersons responsible for communicating with the media the information that is the subject of this policy.

The Bank authorizes certain responsible employees to communicate with the media on specific subjects falling within their field of activity (sector, product, etc.). However, they are not allowed to discuss the Bank or to comment on the Bank's financial results.

An employee who is not an authorized spokesperson is prohibited from responding to media inquiries. Any requests for information from the media or investors via the Internet and any other questions and contact for third-party information should be directed to the Group Communications, CSR and Customer Experience Division.

The Group Communications, CSR and Client Experience Division ensures that all dissemination of information to the public is complete, accurate and timely; and that appropriate controls and procedures governing disclosure are in place.

This policy is approved by the Board of Directors of the Bank.

The Bank ensures that all directors, managers, officers and employees are informed of this policy, and that it is rigorously enforced.

## **6) Human Rights Policy**

The respect of fundamental Human Rights is an essential component in the responsible business conduct of Banque Libano-Française (BLF). In addition to complying with the internationally recognized Human Rights Declaration, the Lebanese Labor Law and the Collective Labor Agreement, BLF strives to observe and promote respect of the following:

- ISO 26000 guidelines on social responsibility
- the United Nations Global Compact (UNGC) principles
- the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work
- the Arab Labor Organization (ALO) Conventions on Human Rights.

### **1) Objective**

This Human Rights policy details how BLF respects Human Rights in the workplace and promotes them within its sphere of influence. It applies equally to the corporate actions of the Bank and to the behavior of its employees.

### **2) Scope**

Human Rights policy applies to all employees working at BLF.

### **3) Respect and promotion of Human Rights in the workplace**

**Equal Employment Opportunity and Diversity:** BLF, as an equal opportunity employer, ensures that its employment practices (recruitment and selection, remuneration, benefits, training, performance appraisal, career advancement, termination, etc.) are non-discriminatory with respect to criteria such as gender, age, religion, disability, marital status, pregnancy, wealth, union membership and are solely dependent on the employee's qualifications and performance. The Bank also applies the principle of equal remuneration for work of equal value.

**Violence, Harassment and Bullying Free Workplace:** BLF ensures that all members of personnel are treated fairly and respectfully. In this context, BLF is committed to ensuring that its workplace is free from violence, power abuse, harassment and bullying. It does not permit nor tolerate any behavior that is violent, insulting, offensive, discriminatory, racist, humiliating, threatening, or degrading of anyone's dignity at the workplace. The Bank has established and notified its employees of a confidential complaint mechanism allowing them to report any abuse of authority or harassment to the Human Resources Division.

**Freedom of Association:** BLF recognizes and respects the right of employees to freedom of association. The Bank affirms that employees that have decided to join or to refrain from joining the Federation of Unions of Banks' Employees, as well as those who become syndicate representatives will not be subject to reprisal, dismissal or any sort of discrimination or power abuse. Employees who act as representatives are neither advantaged nor disadvantaged. The Bank assumes a strictly neutral position in this regard.

**Abolition of forced and child labor and disciplinary measures:** the Bank categorically rejects all forms of forced or compulsory labor. The Bank shall not withhold any part of any employee's salary, benefits, property, or documents in order to force such employee to continue working for the Bank. The employee shall have the right to leave the workplace premises after completing the standard workday, and is free to terminate his employment provided that he gives legal notice to his employer in accordance with the Lebanese Labor Law. The Bank forbids child labor as defined in the International Labor Organization Convention on the subject, the United Nations Conventions and the Lebanese laws.

**Health and Safety:** BLF offers a special healthcare program for its active employees and their eligible dependent family members. It also provides medical hospitalization to retirees. BLF is dedicated to ensuring a safe and healthy workplace environment for its employees, and to taking steps to prevent potential accidents and injuries arising out of, associated with or occurring in the course of work, by minimizing, as far as is reasonably practicable, the risks of work-related accidents, injuries, diseases as well as occupational injuries, illnesses and incidents. Moreover, BLF conducts regular and recorded health and safety trainings for its employees.

The Bank encourages employees to engage in sports activities by offering them the possibility to subscribe to health centers and sports activities free of charge or at reduced prices.

In case of a long-term illness, the employee's job is protected for a period ranging from 8 months up to 32 months depending on the employee's tenure.

**Work-Life Balance:** acknowledging the need for working mothers to balance work and motherhood, BLF offers working mothers of children under the age of 10 the opportunity of balancing working and family responsibilities by opting for a special schedule. The Bank likewise offers special schedule arrangements for employees who are pursuing higher studies.

**Education:** recognizing that the right to education is a fundamental human right, the Bank extends grants to support studying employees.

**Working Conditions:** BLF is committed to fair and just working conditions in compliance with the Lebanese Labor Law, the Banks Collective Labor Agreement, and the applicable international conventions ratified by Lebanon.

**Employee Development and Training:** BLF is committed to encouraging the growth and career development of its employees by coaching them, providing them with adequate training sessions such as management leadership, registering them to attend national and international conferences, organizing team building activities, etc., thus contributing to their skills upgrading, competencies development, career satisfaction, creativity and motivation. A fully equipped Training Academy has been created for this purpose.

**Freedom of Expression:** BLF recognizes that everyone has the right to freedom of opinion and expression. At the same time, a completely unrestricted freedom of expression may lead to the infringement of the rights of others. Therefore, the Bank practices political and religious neutrality and prohibits discussion of political or religious matters at the workplace. Employees must maintain absolute neutrality towards such topics, issues and events, and refrain from displaying in their work and working space political or religious documents and symbols that may be perceived as implying institutional support for a particular affiliation. BLF promotes the freedom of expression amongst its staff by fostering a two-way communication between employees and management, actively encouraging employees to voice their concerns, opinions and problems via multiple communication channels.

**Promotion of Human Rights among Employees:** as Humanism is one of its core values, maybe the most representative one, BLF integrated the Human Rights Policy into its procedures, Human Resources directives, Employee Handbook and performance appraisal. In addition, the Bank actively promotes respect for Human Rights among its employees through regular communications and awareness activities.

#### **4) Respect and Promotion of Human Rights in the Marketplace**

BLF recognizes that individuals have economic and financial needs and thus contributes through its core activity by helping members of society meet those needs. It does so through the provision of various services and products to facilitate education, housing, entrepreneurship, etc.

BLF conducts its business with integrity in an ethical, transparent and fair manner. While complying with all applicable regulations, it does not treat clients in any discriminatory manner with respect to gender, age, religion, disability, marital status or pregnancy, etc. To ensure that its products and services are accessible to all customers, it is constantly expanding its local branches and ATM network across Lebanon, increasingly covering all regions outside of the capital Beirut, and developing its e-banking solutions. To meet the needs of its clients abroad, the Bank also works on widening its international presence. The Bank influences its clients so that they share its socially responsible commitments by incorporating an environmental and social checklist in their credit file assessment, and adding a contractual provision relating to sustainability.

#### **5) Prevention of Money Laundering and Financing Terrorism:**

To prevent the illegal use of its products and services, which may be tied to the violation of Human Rights, BLF strictly applies and complies with all Lebanese and International standards and regulations with respect to Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT). To ensure respect of Human Rights in its daily activities and operations, the Bank is also committed to fighting corruption and bribery, in line with local laws, international best practices and the United Nations Convention against Corruption (UNCAC). Furthermore, BLF's policies and procedures include specific measures intended to prevent corruption and bribery such as whistleblowing. BLF does not provide goods and services to entities that are known for violating Human Rights or for committing acts of corruption or bribery.

#### **6) Support to Vulnerable Groups in the Community:**

BLF teams up with various partners to support Human Rights concerns in the areas of women empowerment, youth empowerment, inclusion of persons with disabilities, children's rights, education, health, financial inclusion, fighting hunger, culture, economic development, environment, etc.

#### **7) Promotion of Human Rights among Suppliers:**

BLF published a Sustainable Procurement Policy which tackles Labor Rights, Human Rights, Environment and Anti-Corruption amongst other issues. In addition, BLF integrates in all its contracts with suppliers a contractual provision for sustainability.

#### **8) Supplier sustainability clause**

Banque Libano-Française encourages its suppliers to share the Bank's CSR commitments and therefore it favors suppliers who:

- fully comply with applicable laws, rules and regulations of the countries in which they operate
- respect the internationally recognized rights of workers in their supply chain
- ensure respect of fair labor standards as well as a safe and healthy working environment
- demonstrate the highest standards of business ethics and fighting corruption

- act in an environmentally responsible manner by steadily reducing the environmental footprint of their operations and by undertaking initiatives to help preserve the environment
- generally commit to incorporate sustainability principles into their business operations by following ISO 26000, UNGC and any other standards on social responsibility

Banque Libano-Française reserves the right to update or amend this policy at any time.

## **15. Sustainable Procurement Policy**

Banque Libano-Française (BLF) adheres to ISO 26000 guidelines<sup>1</sup> on social responsibility, as well as to the United Nations Global Compact's (UNGC) 10 principles<sup>2</sup> in the areas of Human Rights, Labor Practices, Environment and Anti-Corruption. Within the context of its commitment to Corporate Social Responsibility, BLF's General Services Division has embedded sustainability into its procurement practices and strives to promote ethically, economically, socially and environmentally responsible business practices amongst its network of suppliers.

### **1) Objective**

This policy details how the General Services Division at BLF selects the suppliers to ensure that the products and services it procures have the lowest environmental impact and most positive social and economic impacts possible. The aim is not to favor Sustainable Procurement "at all costs", but to select the "most competitive offer" basing the procurement decisions on a rational analysis of costs, quality and risks as well as CSR criteria.

The policy also sets out a code of conduct the Bank expects from its suppliers and those within their suppliers' sphere of influence.

### **2) Scope**

This policy applies to all potential and current suppliers working with BLF.

### **3) BLF's Commitment when dealing with suppliers**

Assess the competitiveness of offers:

- over and above the price of the services or goods, the General Services Division takes into consideration other costs, such as the associated logistics costs borne by the buyer (transportation, etc.), the after-sales costs calculated on the basis of equivalent services, the whole length of the technical development process, the commercial relationship of the supplier with the Bank, as well as the costs of CSR
- the General Services Division incorporates in its evaluation of subcontracting costs elements such as the financial health of the supplier, supply disruption, product & service

- compliance, disputes risks, currency fluctuations, social and political risks not covered by insurance, reliable and robust after-sales service as well as potential repercussions in terms of operating losses and impact on corporate image
- the General Services Division integrates in its decision-making process the analysis of the environmental and social impact of the goods and services it purchases.

Ensure a fair competitive selection process for suppliers:

- BLF selects suppliers in a fair and equitable manner, free from discrimination, giving preference to local suppliers, when their offers are competitive
- BLF employees taking part in the selection process must avoid any situation of conflict of interest as well as dealing with suppliers with whom they have personal interests
- during calls for bids and negotiations with suppliers, BLF employees taking part in the decision-making are not allowed to accept from the suppliers involved in the deliberation, any cash and/or in-kind gifts or invitations
- outside bids, employees are not allowed to accept from their suppliers any in-kind gifts or invitations exceeding the limit of an acceptable amount, unless they inform their superior in advance.

Guarantee fair financial treatment for suppliers:

BLF is committed to act responsibly towards suppliers, make payments consistent with the applicable laws and regulations. It also commits to avoid, in its dealings with small and medium-sized enterprises some practices such as imposing excessive discount rates, applying an unreasonable deduction for disputes, except where otherwise stipulated by contractual provisions, withholding information from the supplier in the event of a dispute and intentionally delaying the handling of a dispute.

Reduce the risks of mutual dependence in the Bank's relations with its suppliers:

The Bank should not entrust the same supplier with contracts exceeding the critical threshold of 20% of the supplier's turnover, to prevent the latter from becoming dependent on the Bank and devoid the Bank from any moral obligation to maintain the contract beyond commercial interest due to this dependency.

Adopt a sustainability approach with suppliers:

BLF seeks to promote the suppliers that are in line with its CSR policy and that offer solutions that support the Bank in reducing its environmental impact or in improving its social impact. The Bank integrates a sustainability clause in all its contracts with suppliers to make sure that the latter share the same socially responsible commitment as BLF.

#### **4) Supplier Code of Conduct**

BLF expects their suppliers to comply with the following principles and to obtain similar commitments from their own suppliers, subcontractors and distributors:

Comply with all applicable laws, rules and regulations of the countries in which they operate.

Respect internationally recognized rights of workers in their supply chain and ensure fair labor standards as well as a safe and healthy working environment:

- recognize and respect the rights of its employees to associate freely and to organize and bargain collectively in accordance with the local laws in which they are employed
- not engage or benefit from any use of forced or compulsory labor
- not engage or benefit from any use of child labor, respecting the minimum age for employment in the country of operation
- have employment policies that are free from discrimination based on gender, religion, age, skin color, disability, social background, marital status, and promote equal and non-discriminatory remuneration, etc.
- refuse to tolerate power abuse, psychological or physical harassment
- ensure that the conditions of work comply with national laws and regulations and are consistent with applicable international labor standards
- provide decent conditions of work with regards to wages, hours of work, weekly rest, holidays, health and safety, maternity protection, access to skills development and training.

Demonstrate the highest standards of business ethics and fight corruption

- the supplier will act in accordance with national competition laws
- the supplier will not attempt to win a contract through unfair or corrupt practices, such as giving cash & in kind gifts that contradict BLF rules
- it is strictly forbidden to propose to BLF employees invitations to leisure events, unless they are solely intended to give BLF the opportunity to have a better knowledge of the supplier's goods or services
- the supplier will not accept any type of cash or in kind compensation from an end supplier if he acts as an intermediary between BLF and that end supplier, without the agreement of BLF
- the supplier will report any breach of the code of conducts by one of its employees (or by one of its suppliers) that may damage BLF's reputation
- the supplier will respect the property rights of others.

Act in an environmentally responsible manner by steadily reducing the environmental footprint of their operations and undertaking initiatives to help preserve the environment

- define an environmental strategy addressing issues such as recycling, waste management, product life cycle, etc.
- adopt an environmental management system such as ISO 14001 or equivalent, to monitor the progress of its environmental policy and certifications

- propose environmentally-friendly products and services to BLF (environmentally friendly materiel and technologies, etc.).

Generally, commit to incorporate sustainability principles into their business operations by following ISO 26,000, UNGC or any other standards on social responsibility.

The supplier will provide BLF with relevant information.

The supplier is expected to provide all data required for the pre-qualification, as well as any available data required by BLF for its CSR Reporting.

## **16. Complaints and Grievances Mechanisms**

Keen to serve the clients better, BLF's Customer Experience Department will promptly listen to their feedback and complaints and work accordingly to give them the best solution.

Every voice matters, this is why the Bank offers all kind of channels and touchpoints for the people to reach out to us.

- Point Call®, Point Call, BLF Call Center on 1272 (from inside Lebanon) or +961 (1) 56 05 61 (from abroad)
- Point Com, BLF e-banking online platform
- through the website, [www.eblf.com](http://www.eblf.com)
- the feedback box and the electronic tablet available in all BLF branches
- an e-mail sent to: [customer.experience@eblf.com](mailto:customer.experience@eblf.com)
- a letter sent to the Customer Experience Division
- a fax sent to: +961 (1) 44 01 83
- a face to face meeting with BLF Customer Experience representatives.

After having successfully received your feedback, the Customer Experience department will follow a 5-steps procedure to give the best satisfaction.

- acknowledge the receipt of the complaint within 3 working days
- Study the case with all concerned entities and determine the time frame needed to implement it, knowing that it should not exceed 15 days following the date of submission
- regularly inform the plaintiff about the progress of the complaint
- send the plaintiff an official letter by post to his/her primary address in case he/she did not receive the first acknowledgment
- close the file once the complaint is solved and after getting the plaintiff's approval.

If the plaintiff is not completely satisfied with the provided solution, he/she may reach to the following persons, or even the Bank General Management:

- Head of Customer Experience Department on +961 (1) 79 13 32 (ext. 1235)
- Head of Group Communications, CSR and Customer Experience Division on +961 (1) 79 13 32 (ext. 1457).

With regards to the internal and external schemes for reporting concerns and seeking advice on ethical and lawful matters, BLF has instated the following mechanisms:

- complaints and grievances module on the intranet: in order to insure a proper and confidential pathway for sensitive and compromising information, the Bank has created a portal that allows employees to report grievances anonymously and directly to the Head of the Human Resources Division. The latter then acts as an ombudsman with the full authority to investigate and act on claims without compromising the informer
- internal whistleblowing policy: the internal whistleblowing policy aims to facilitate the detection and prevention of illegal activities harmful to the profitability and to the image of the Bank in accordance with guidelines of circular n°. 271 of the Banking Control Commission. Each employee is handed the detailed policy the day of his/her recruitment and is asked to acknowledge that he/she has read, understood and will abide by the terms outlined in the policy. Similarly he/she agrees to inform the Internal Audit if an employee intentionally or negligently violates the Bank's procedures. The employee is also held accountable for any unreported breach
- HR missions: the Career Development team conducts periodic visits to all branches and divisions. During these visits, the team meets with all employees to discuss their careers and aspirations. It seizes this opportunity to encourage openly discussing any concern, and works actively towards investigating and resolving it. This approach fosters a climate of trust, open communication and accountability
- open-door policy: an open door policy has been instated in the Human Resources Division to enable all employees to walk in and discuss any doubt or concern that might constitute a threat to the Bank or their career. During these confidential meetings, the Human Resources Division advises the employee on the course of action and guides him through the process taking into consideration the Bank's rules and regulations as well as its values and ethics.

## **Corporate Governance**

### **1. Principles**

Banque Libano-Française has defined its own model of governance, inspired by its founding values and the banking regulations.

It is based on the values of transparency, responsibility and efficiency. This is translated in the organization and the work of the Board of Directors through:

- active involvement of Board Members in the social life of the company, as well as in its strategy
- willingness to pursue openness and balance in the distribution of powers and the composition of the governing bodies
- constant concern with the ability of each individual to efficiently exercise his/her responsibilities with objectivity and independence, particularly through the quality of dialogue and the transparency of information

- belief that good governance allows the creation of value; therefore, the Bank formalizes the principles of good governance and integrates them in its company culture
- conformity to worldwide best practices in corporate governance
- adherence to governing principles as discussed in several Bank documents such as its statutes and those of its subsidiaries which define the roles of the Board of Directors and stakeholders in terms of management, regulations, procedures and codes of conduct aiming to ensure transparency and the assumption of responsibility
- in the context of reinforcement of regulatory provisions, the Board of Directors devotes a major part of its work to the analysis of the consequences of change, and establishes ways for the Group to respond to and prepare for new regulations; the Audit Committee and Risk Committee being focused on these changes.

## **2. Board of Directors**

### **a) Composition**

The Bank is administered by a Board of Directors made up of three to twelve members, elected by the General Assembly among Shareholders holding each a minimum of 250 shares:

- national law determines how many members of the Board must be Lebanese citizens
- corporations may be members of the Board, they may be represented by a manager or delegate of their Board of Directors, even if those representatives are not shareholders of the corporation
- Board members serve for a three-year term
- at each Annual Assembly, a partial or total renewal of the Board is carried out by election in such a way that total renewal takes place at the end of every three years
- each member must assign 250 shares as a collective guarantee of the Board; these shares are inalienable during the Board Member's mandate
- a member of the Board is considered to have resigned if he/she takes a position of employment or becomes a member of the Board of Directors of another company in Lebanon exercising the same activities as the Bank, unless he/she has been given special permission to do so by the General Assembly
- should one of the positions of Board Member become vacant, the Ordinary General Assembly may vote to fill that position at its next regularly scheduled meeting, unless the remaining Board Members view the replacement as urgent, in which case an Extraordinary Assembly can be formed
- if the number of members is reduced to less than three, a General Assembly must be called within two months in order to replace the missing Board Members
- any Board Member taking over the position of a former member will stay until the expiry of the former member's mandate
- the Board of Directors elects a Chairman from among its members, to serve as such for the duration of their mandate
- on the basis of a proposal by the Chairman, the Board may nominate a General Manager from among the members or from outside the Board
- the General Manager will fulfill his/her duties under the Chairman's authority

- the Board chooses a Secretary from among the members or outside the Board
- the Board of Directors has officially adopted the definition of the profile of independent Board Member as defined by Banque du Liban; as such an "independent" Board Member shall be:
  - non-executive
  - not one of the major shareholders directly or indirectly holding more than 5% of the shares at the Bank, or voting rights relative to those shares
  - independent from all members of the Executive Committee and from the major shareholders, and does not have a professional relationship with during his/her term or during the last two years preceding his/her nomination to the Board
  - not a 4<sup>th</sup> degree relative or less of a major shareholder
  - not in debt to the Bank
- all members have financial, accounting, strategic planning, governance, risk management, regulatory, and auditory qualifications
- Group policy ensures that the Board has a non-executive majority.

In depth information about BLF's corporate governance composition and structure, functions and responsibilities, meetings, committees, etc... are available in the Bank's Corporate Governance Guide on BLF's website: [www.eblf.com](http://www.eblf.com)

#### **b) BLF Board of Directors Composition**

Banque Libano-Française Board of Directors consists of nine Directors:

- Mr. Walid Raphaël, *Chairman*
- Mr. Elie Nahas, *Chairman of the Group*
- Mr. Zafer Chaoui
- Mr. Philippe Doré
- Mr. Samer Iskandar
- Mr. Habib Letayf
- Me Philippe Lette
- Mrs. Raya Raphaël Nahas
- Dr. Marwan Nsouli

### **Biographies of BLF Board of Directors**

#### **Mr. Walid Raphaël**

Born in 1971.

Member of the Board since April 2006.

Chairman General Manager since September 2014.

Mr. Raphaël began his career in banking in 1995 at Credit Agricole Indosuez, where he held several positions in both Paris and London, in the International Project Finance Department and in capital markets covering the emerging markets. After working in 2001 for Credit Suisse First Boston, he worked as a Corporate Finance Advisor in particular to the Shareholders of the Bank which he joined in 2004. Mr. Raphaël received a Masters degree in Law from Panthéon-Assas

University (France), a Masters diploma in Banking and Financial Law from Panthéon-Sorbonne University (France), and an MBA from INSEAD (France).

**Mr. Elie Nahas**

Born in 1944.

Member of the Board since April 2006.

Chairman of Banque Libano-Française Group since September 2014.

Mr. Elie Nahas began his career in banking with ABN AMRO and was the Country Manager in Lebanon until 2002 when that bank stopped its activities in Lebanon. Mr. Nahas was General Manager and Member of the Board of Directors of Byblos Bank. He was a member of the Board of Directors of the Lebanese Bankers' Association from 1987 to 1990. He was Honorary Council General of the Netherlands in Lebanon from 1988 to 2010. He graduated from Saint Joseph University in Beirut with a degree in Economics and Finance.

**Mr. Zafer Chaoui**

Born in 1947.

Member of the Board since June 1991.

Non-Executive Director.

Mr. Zafer Chaoui is a businessman. He has been Honorary Consul General of Finland in Lebanon since 1996. He is also Chairman and a Board Member of various industrial and commercial companies (Château Ksara, Sicomo, Omnipharma, Omnilab,...). Mr. Chaoui was recognized as "Commander of the Finnish Lion" in 2001, received the "Finnish Army Medal" in 2001 and the "Medal of the Catholic Church of Jerusalem" in 2006. He graduated from Saint Joseph University in Beirut with a degree in Economics.

**Mr. Philippe Doré**

Born in 1966.

Member of the Board since April 2008.

Independent Director.

Mr. Philippe Doré started his career at Crédit Agricole where he was Head of strategy and mergers of the retail bank abroad from 2005 to 2008, then Assistant General Manager and Manager of the International Development from 2008 to 2010. He then joins Arjil S.A.S., an investment bank based in Paris and becomes a Director until 2015. From this date onwards, Mr. Doré is the Managing Director of Financière de Courcelles – Global M&A Partners. He graduated From Ecole Nationale des Ponts et Chaussées (France) with a degree in Civil Engineering.

**Mr. Habib Letayf**

Born in 1934.

Member of the Board since June 1979.

Independent Director.

Mr. Letayf was the General Manager of the National Council for Touristic Development in Lebanon from 1964 to 1984, Attaché to the Lebanese Embassy in Paris from 1985 to 1992, and Chairman and General Manager of Casino du Liban from 1992 to 1999. Mr. Letayf holds a degree in Economics.

**Me. Philippe Lette**

Born in 1948.

Member of the Board since April 2006.

Non-Executive Director.

Me. Philippe Lette is an international commercial lawyer with offices in Montréal and Paris. He is a Board Member of the Swiss Chamber of Commerce and the Franco-Canadian Chamber of Commerce in Paris of which he was a former President, and a legal advisor at the French and Swiss Embassies... Me. Lette received a Bachelor of Civil Law from McGill University (Canada), a Masters diploma in Law from University of Bordeaux (France), a Masters diploma in Comparative Private Law from Panthéon-Sorbonne University (France), and an LLM from Faculté Internationale pour l'Enseignement du Droit Comparé.

**Mrs. Raya Raphaël Nahas**

Born in 1973.

Member of the Board since April 2010.

General Manager since September 2014.

Mrs. Raya Nahas began her career in banking at BLF in 1997 as a financial analyst and has subsequently taken responsibilities in project finance, investment banking, retail banking, mainly the launching of electronic banking activities (cards) and Bancassurance. Mrs. Nahas is also Member of the Board of Holcim (Liban) S.A.L., a subsidiary of Group Holcim, since 2013. She is a founding member of LIFE Ltd. (Lebanese International Finance Executive) and heads the organization's "Pilier Promote", LIFE a non-profit association that aims to promote networking between Lebanese working in the financial field, in order to set strong bounds, promote Lebanon and support the future generation. Mrs. Nahas received a degree in Economics and a Masters in Financial Management from Paris-Dauphine University (France) and a Masters diploma in Money, Banking and Finance from Panthéon-Sorbonne University (France).

**Dr. Marwan Nsouli**

Born in 1938.

Director since May 2014.

Independent Non-Executive Director.

Dr. Marwan Nsouli is a lawyer who started his career providing legal advice and assistance to private individuals and local and international business firms as well as collaborating with an American Law Firm. He also worked for fourteen years at the Legal Department of the International Finance Corporation (IFC) (World Bank Group) in Washington DC. His last position with IFC was as Chief Counsel, member of the team managing the Legal Department, and Advisor to the Vice President General Counsel on general policy and legal issues. In 1998, Dr. Nsouli was appointed as Vice Governor of the Banque du Liban and his mandate extended for ten years. He then resumed his legal consultancy in private practice. Dr. Nsouli holds Bachelor degrees in French and Lebanese laws from Saint-Joseph University in Beirut, a Masters diploma in Comparative Jurisprudence (MCJ) from New York University and a Doctorate in

Law (JSD) from the University of Paris V-René Descartes.

**Mr. Samer Iskandar**

Born in 1967.

Member of the Board since April 2017.

Independent Director.

Dr. Iskandar is a graduate of the London School of Economics, holds an Executive MBA from ESCP Europe and a PhD in Finance from Panthéon-Sorbonne University (France).

He is an international academic, consultant and investor with more than 20 years of experience in capital markets, corporate finance and corporate governance.

From 1989 to 1994, he was a Fund Manager at BAI in Paris (BNP Paribas Group).

Between 1996 and 2001, Dr. Iskandar was a Senior Writer and Editor at The Financial Times in London, Brussels and Paris.

In 2001-2003, he was an Executive Director at Euronext Group, Europe’s largest stock exchange.

Between 2006 and 2009, Dr. Iskandar advised leading companies in the Middle East, such as Solidere International and Medgulf Insurance, on their corporate governance and financial structure.

Since 2010, Dr. Iskandar has been an Affiliate Professor of finance at ESCP Europe in Paris, and teaches regularly at ESA Business School and the Institute for Finance and Governance in Beirut.

**c) Meetings**

- the Chairman calls for Board meetings as often as it is in the Bank’s interest and a minimum of four times a year. A minimum of two meetings must take place in Lebanon
- if the Chairman is for any reason incapable of setting a meeting, the Vice-Chairman may call for it. If the Vice-Chairman is unable to set it then two members may call for it. The invitation can be written or oral and must include the meeting agenda. It must be sent at least 2 days in advance, unless it is an emergency
- minimum half of the members must be represented or present for the meeting deliberations to be valid. None of the members are allowed to represent another member. The power of representation is given for one session only, in a letter or in a telegram supported by a letter
- in the event of a tie, the Chairman, or the Vice-Chairman in the Chairman’s absence, will have the deciding vote
- the deliberations of the Board are noted in minutes kept in a register at the head office and signed by the Chairman, or by a member fulfilling his duties and in the presence of another member
- the justification of the number of members in office and of the number of members participating in the deliberations results, vis-à-vis third parties, from the specification during the deliberations of both the present members and those who are absent or excused
- members receive attendance fees as determined by the General Assembly.

**Board meetings in 2018**

Date	6-4-2018	27-04-2018	10-07-2018	19-10-2018	11-12-2018
Place	Paris	Beirut	Beirut	Beirut	Paris
Presence Rate	100%	100%	89%	100%	89%

#### **d) Board Functions and Responsibilities**

The Board of Directors is responsible for the correct functioning of the Bank, and for the following:

- approving the commercial strategy of the Bank, taking into account its financial and security interests
- approving and supervising the implementation of general policies and risk related strategies.
- approving the risk management policy established by the Bank
- approving the compliance policy and the internal control systems
- adopting a corporate governance frame
- adopting corporate values and a code of conduct
- ensuring that transactions between related parties are taking place according to the principle of fair competition, and are approved by the Board and shareholders, respecting the applicable laws and regulations on transactions between related parties
- ensuring that the control functions are properly established, that they are supplied with the necessary resources and that they are exercising their responsibilities in an efficient and independent way
- setting the tone by implementing professional norms and corporate values that favor the integrity of the Bank, its Board and its employees
- reviewing regularly the main policies, processes and control mechanisms with the Executive Committee and/or with those responsible for the control mechanisms, in order to determine areas needing improvement and to identify and deal with risks and important problems.

The Board has the power to act in the Bank's name and to perform all operations meeting its objectives. The Board has the following indicative and unlimited power:

- establishing branches and offices of the Bank wherever it judges to be necessary, in Lebanon or abroad
- establishing and instituting one or more special commissions to give prior approval to decisions related to appropriations, investments using available funds, investments in properties and minor financial investments
- defining the Bank policy in all areas where the Bank is active; following up and supervising the implementation of such policies under the conditions that it will be fixing;
- authorizing all acquisitions, exchanges and disposals of real property and property rights; (the acquisition of such property and rights as a form of collection on bad debt or default and their re-sale are viewed as routine proceedings)
- granting any mortgage on all Bank buildings, and granting any mortgage guarantees or other sort of guarantees related to real estate
- founding Lebanese or foreign companies, or offering alternatives to their foundation;
- determining the terms and conditions deemed appropriate for incorporated companies or those that will be incorporated in the future, while looking out for the Bank's best interest in such situations
- finalizing statements, inventories and accounts that must be submitted to the general assembly of shareholders, ruling on all propositions, and finalizing the agenda.

e) **Chairman's Functions and Responsibilities**

- The Chairman of the Board chairs the Board meetings. The Vice-Chairman chairs the meetings in his absence. If the Vice-Chairman fails to be present, the meeting will be chaired by the oldest member present
- The Chairman plays the role of the Bank General Manager. He may suggest for the Board to nominate one or more General Managers to fulfill his duties, under the Chairman's responsibility
- Should the Chairman be temporarily unable to perform his duties, he may delegate them partially or in full to another member of the Board, for a limited and renewable period of time if deemed necessary
- The Chairman and a delegated Board Member or Director represent the Bank towards third parties. They execute the decisions of the Board and ensure that all the activities of the Bank are in conformity with those decisions. They have the following powers, which are indicative and unlimited, and which may be exercised separately:
  - establishing the Bank operational rules
  - establishing internal regulations for employee conduct
  - completing all formalities in order for the Bank to abide by the rules of the countries where it might operate
  - collecting the money due to the Bank, and settling its dues
  - granting loans, with or without a real or personal security, in the form of a current account, a discount, a pension, a guarantee, etc., as per the investment policy set by the Board; fixing deadlines, interest rates and charges
  - offering the possibility of borrowing by granting loans or by other means , with the exception of issuing bonds; and granting personal property securities to that end
  - underwriting, endorsing, accepting, and clearing all commercial instruments
  - delivering letters of security, giving joint or non-joint deposit
  - writing, endorsing and clearing all checks, traveler's checks, and letters of credit
  - receiving cash deposits, fixed-term deposits or notice deposits in current accounts, checking accounts, savings accounts, etc.
  - accepting deposits of securities and precious metals
  - renting out safety deposit boxes
  - opening all documentary credits, with or without confirmation
  - sending transfers within Lebanon and abroad
  - receiving and negotiating checks to be cashed
  - approving, accepting, divesting or rescinding leases or rentals; managing all buildings belonging to the Bank
  - accepting all real or personal securities, pledges, mortgages, collaterals, etc.; relinquishing or releasing them before or after payment
  - exercising judicial action, as plaintiff or defendant, and designating proxies or attorneys, or taking up residence to this effect
  - authorizing all treaties, transactions, arbitrations, compromises, agreements, acquiescences, withdrawals, cessations, discharges, seizures, oppositions and other rights, before or after payment

- acquiring all goods and titles to property serving as recovery of bad debt or default, and reselling them under conditions it sees fit
- selecting and promoting agents, assigning functions to them, deciding on their remuneration, changing their positions, firing them
- substituting all or part of these powers as specified by law or by professional custom
- performing all operations which are in accordance with the company objectives and are not reserved by law or these statutes for the General Assembly and for the Board of Directors.

### **3. Board of Directors Committees**

Four special committees are formed by the Board of Directors:

- Audit Committee
- Risks Committee of the Board of Directors
- Corporate Governance and Compensation Committee
- Compliance (AML/CFT) Committee.

The functions and missions of each of these committees are defined by a charter approved by the Board of Directors.

#### **a) Audit Committee**

The Audit Committee charter is annually reviewed by the Audit Committee and modifications are approved by the Board of Directors.

#### **Members of the Committee**

The Audit Committee is comprised of three non-executive members of the Board of Directors having the expertise and the competencies in accordance with the size of the Bank, the complexities of its operations and the responsibilities involved.

The Chairman is an independent member of the Board, having the experience and the knowledge of recent practices in the world of banking and finance, specifically, financial management and accountancy or auditing.

The members of BLF Audit Committee are:

- Dr. Samer Iskandar, *Chairman*
- Mr. Philippe Doré
- Me. Philippe Lette

A maximum of one member may be a member of the Audit Committee and the Risks Committee simultaneously.

The Chairman of the Audit Committee may not delegate his responsibilities to another person, and may not be Chairman of both the Audit and the Risks Committees at the same time.

## **Terms**

The Audit Committee meets upon the request of the Chairman and in the presence of the Inspector General, once every three months at least, and before Board meetings during which accounts are finalized. A minimum of two meetings shall take place in Lebanon.

A minimum of three members shall attend. The Chairman may fail to be present only under exceptional circumstances, in which case the meeting is chaired by an independent member.

The Audit Committee meets with the Inspector General at least once a year, in the absence of management executives.

The Chairman of the Audit Committee may invite a member of the Board, the Executive Director, a bank manager or the statutory auditors, if he deems necessary.

## **Secretariat**

The Secretariat of the Audit Committee is the responsibility of the Inspector General, who prepares, at least one week prior to the meeting, a written, detailed meeting agenda, including relevant reports. In exceptional cases, the agenda may be given to the members 48 hours prior to the meeting. It is possible to call for an immediate meeting, in case of an emergency.

The Committee Secretary must prepare the minutes of the meeting, which recapitulate the discussions, recommendations and decisions of the Audit Committee. The minutes are signed by all present and absent members of the Committee, and reported to the Board of Directors. The members who were not present at the meeting will therefore take note of the decisions made in their absence.

The CCB may access the meeting minutes.

Once the minutes are signed, the Secretary is responsible for keeping them in their corresponding folders. The minutes bear a chronological number, beginning with n°1 for the first meeting.

The Inspector General is responsible for executing the decisions of the Committee as recorded in the signed minutes, and for informing the Committee of the implementation of those decisions.

## **Main responsibilities**

The Audit Committee assists the Board of Directors in supervising the financial reporting, the internal control mechanisms, the audit functioning, and the conformity to the code of conduct, the law and regulatory authorities' pronouncements, particularly those published by the Central Bank of Lebanon and the CCB.

The Audit Committee's authority covers the Bank and its branches in Lebanon, as well as related subsidiaries and entities in Lebanon and abroad.

The Audit Committee is tasked with the following responsibilities:

### **Internal control**

- revising the internal control mechanisms, policies and procedures, including those for the prevention of money laundering and terrorism financing, in order to ensure these mechanisms are sufficient in number, efficient and effective
- meeting with the Executive Committee at least once every three months, or as often as needed, in order to discuss the sufficiency and effectiveness of the internal control mechanisms, based on the reports issued by the internal audit, the Executive Committee, the statutory auditors or the supervisory authorities
- monitoring the actions taken by the Executive Committee in order to implement the recommendations made to address weaknesses in the internal control mechanisms
- ensuring the coordination between the internal audit and the statutory auditors, particularly during the assessment of internal control mechanisms.

### **Internal Audit:**

- supervising the entire internal audit in order to ensure its independence from the Executive Committee and its objectivity
- approving the internal audit budget, and ensuring it has enough resources to function properly
- reviewing and approving the internal audit agreement, its plans, activities and organizational structure, as well as all modifications in the audit plan
- approving the internal audit procedures manual, and suggesting any necessary changes
- ensuring there are no unjustifiable obstacles to the audit parameters, and make suggestions for the recruitment, designation, replacement or dismissal of the Inspector General
- evaluating the internal audit's performance and its manager, taking into account the remarks of the statutory auditors and the supervisory authorities
- reviewing the conclusions and recommendations of the internal audit, and ensuring the implementation of corrective measures, if necessary.

### **External Audit:**

- expressing an opinion on the statutory auditors before their nomination, after verifying the availability of human and material capital, sufficient academic and professional experience, as well as ethics (Ethical Guidance) necessary for the audit activities. Judgment is passed based on the size of the Bank, and the degree of diversity and complexity of its operations
- presenting the conditions that statutory auditors must meet and deciding on remuneration
- taking note of the planning memorandum and the audit plan established by the statutory auditors, and assessing whether they cover all of the risks to which the Bank is exposed
- evaluating the competence, performance, independence and objectivity of the external audit
- confirming the independence of the statutory auditors by receiving their declaration on the relationship they have with the Bank, and by discussing the nature of this relationship with them
- reviewing the results of the external audit with the Executive Committee and the external auditors, and discussing the difficulties they encountered during the audit

- examining and discussing the remarks and recommendations of the statutory auditors, and presenting a report to the Board of Directors
- reviewing the progress of the application of the external audit recommendations
- determining the special audit assignments to be taken over by the statutory auditors and specifying the necessary conditions
- meeting with the statutory auditors to discuss the results of their audits at least twice a year or more often if necessary
- reviewing the conclusions and the mission reports produced by the regulators or the other supervisory bodies of the Bank.

#### Financial Statements:

Discussing annual financial statements with the Executive Committee and the statutory auditors before their release. Verifying that the statements are complete, and reviewing the financial communication standards.

#### KYC Intelligence and Legal Compliance:

Reviewing the efficiency of compliance mechanisms with regards to the laws and regulations, and reviewing the results of the investigations of non-compliance cases conducted by the Executive Committee.

#### **Audit Committee's operating procedure**

The Audit Committee is required to prepare the work regulations that determine clearly the roles and responsibilities of its members and submit it to the Board for approval.

The members of the Audit Committee must be aware of their roles and responsibilities once they are designated and they should sign the operating charter of the Audit Committee.

The Board of Directors of the Bank fixes an attendance fee for the members of the Audit Committee.

For a Joint Audit Committee between Banque Libano-Française and any other Lebanese bank or financial institution that is affiliated to it, it is necessary to obtain the permission of the Central Council of the Lebanese Central Bank by taking the opinion of the CWB.

The Audit Committee may meet separately with the Director of Internal Audit to discuss any matter that the Committee or the Internal Audit finds necessary to discuss confidentially.

The Audit Committee submits directly its reports to the Board.

#### **Audit Committee meetings in 2018**

Date	12-3-2018	9-7-2018	18-10-2018	10-12-2018
Place	Beirut	Beirut	Beirut	Beirut
Attendance rate	100%	100%	100%	100%

### **b) Risk Committee**

The Board of Directors should approve any modification in the Risk Committee charter of the Board of Directors.

#### **Committee members**

The Risks Committee comprises at least three members of the Board.

The Chairman is an independent Board member with finance and banking experience, specifically in the field of risk management.

Members are the following:

Mr. Philippe Doré, *Chairman*

Mr. Zafer Chaoui

Mr. Walid Raphaël

Mr. Elie Nahas

Mrs. Raya Raphaël Nahas

#### **Participants**

The Director of Risk Management (Committee Secretary)

The Risks Committee Chairman may not delegate his responsibilities to another person, and may not simultaneously serve as the Audit Committee Chairman.

#### **Terms**

The Risks Committee meets once every two months. A minimum of two meetings must take place in Lebanon. A minimum of three members must attend.

Meetings should be held in the presence of at least three members and cannot be held in the absence of the Chairman except under exceptional circumstances, in which case the meeting will be chaired by an independent member.

#### **Secretariat**

The Secretariat of the Risks Committee is the responsibility of the Director of Risk Management, who prepares, at least one week prior to the meeting, a written, detailed meeting agenda, including relevant reports. In exceptional cases, the agenda may be given to the members 48 hours prior to the meeting. It is possible to call for an immediate meeting, in case of an emergency.

The Committee Secretary must prepare the minutes of the meeting, which recapitulate the discussions, recommendations and decisions of the Risks Committee. The minutes are signed by all present and absent members of the Committee, and shared with the Board of Directors. The members who were not present at the meeting will therefore take note of the decisions made in their absence.

The CCB may access the meeting minutes.

Once the minutes have been signed, the Secretary is responsible for keeping them in their corresponding folders. The minutes bear a chronological number, beginning with n°1 for the first meeting.

### **Committee's operating procedure**

At their nomination, the Risks Committee members must be aware of their roles and responsibilities, and sign the charter detailing them. The Chairman of the Risks Committee may invite a member of the Board, an Executive Director, a bank manager, or the statutory auditors, if he deems necessary.

### **Main responsibilities**

Supervises the appropriate application of Bank risk management principles, and covers the Bank, its branches and subsidiaries in Lebanon and abroad.

Supervises the application of methods, policies and procedures relative to the accounting standards of IFRS9, as approved by the Board of Directors.

Sets the risk policy of the Group:

- a. validates the Policy and the decisions of the Credit Risk Strategy Committee, as well as those of the ALM Committee and the Risks Committee
- b. validates and forwards the following to the Board:
  - the risk management policies and their annual reviews, limits on risk appetite and tolerance, as defined in those policies
  - the annual ICAAP results on Group levels, including the capital management, the stress test hypotheses and results, the effectiveness and adequacy of risk governance, the way of mitigating risk which were proposed and used, and the risk measurement and monitoring tools
  - the measurement of solvability and the impact of each risk in the capital charge, and the ways of mitigating risk which have been or should be used in case of failure.
- c. insures the implementation of the policy and the respect of limitations
- d. monitors the results of the missions conducted by the CCB, ACPR or by the Committee of the Central Bank of Syria, on the various risks of the BLF group, and raises to the Board of Directors those related to BLF, and, if necessary, those related to its subsidiaries
- e. monitors the Group exposure to all risks, following the process described below for each type of risk:

Credit Risk:

- authorizing the limits decided by the Policy and Credit Risk Strategy Committee and the ALM Committee  
Monitoring the credit portfolio quality progress for all business segments: for example, the different commitments structure by risks category, the Loan Remediation Division dashboard, the default rate and Retail loans remediation report
- monitoring the allocation of credit by installment, segment, guarantee and type
- monitoring the debtor or group of debtors concentration risk, according to big debtors list based on threshold, and determined by each entity of the BLF Group.

Market Risk:

- report on portfolio titles, including a stress test if necessary
- report on clients' operations, derivative instruments and leverage accounts, including a stress test if necessary
- report on foreign currency positions, structural and trading positions, including a stress test if necessary.

#### Rate Risk:

- stress test relative to the Bank equity and the earning at risk
- the duration of the CMT credit portfolio
- the duration of assets at fixed rate.

#### Liquidity Risk:

- report on liquidity management.

#### Country Risk:

- report on the allocation of the client credit portfolio and the securities portfolio, as well as the investments and exposures on banking counterparts, including a stress test if necessary.

#### At Operational Risk level, by:

- reporting the major incidents that occurred
- presenting an activity report for each unit in charge of monitoring this risk.

#### On a consolidated global plan, should receive:

- a general report on the different risks of the BLF group
- a summary of all new regulations published in Lebanon, France or Syria, and if necessary, a summary of consequently implemented measures.

### **Risk Committee meetings in 2018**

Date	12-3-2018	9-7-2018	18-10-2018	10-12-2018
Place	Beirut	Beirut	Beirut	Beirut
Attendance Rate	100%	100%	100%	100%

### **The Credit Risk Committee of the Board of Directors**

The Credit Risk Committee was established by The BLF Board of Directors during its meeting held on December 15, 2017, in Beirut.

*Any alteration in the Committee charter must be approved by the Board of Directors.*

### **Committee Members**

The Credit Risk Committee of the Board of Directors comprises a minimum of three members of the Board.

The Committee Chairman is an independent Board member with professional banking and financial experience, specifically related to credit risk management and evaluation.

The Committee members are:

Mr. Philippe Doré, *Chairman*  
Mr. Zafer Chaoui  
Mr. Walid Raphaël  
Mr. Elie Nahas  
Mrs. Raya Raphaël Nahas

In addition:

- The Director of Risk Management as Committee Secretary.

The Committee Chairman of the Credit Risk Committee of the Board of Directors may not delegate his/her responsibilities to another person.

### **Periodicity**

The Credit Risk Committee of the Board of Directors meets every three months; a minimum of two meetings should be held in Lebanon.

Meetings are held with a minimum of three members and in presence of the Chairman. If, under exceptional circumstances, the latter could not attend, the meeting is chaired by an independent member.

### **Secretariat**

The Secretariat of the Credit Risk Committee of the Board of Directors is under the responsibility of Risk Management Division at the Bank, in charge of setting a detailed meeting agenda, at least one week prior to the meeting. If necessary, the Committee may be convened to meet as soon as possible.

The Committee Secretary must prepare the minutes of meeting summarizing the Committee's discussions, recommendations and decisions, get them signed by all present members, and raise them to the Board of Directors. The members who were not present at the meeting will take note of the decisions made in their absence.

The CCB may access these minutes of meetings.

Once the minutes of meeting are signed, the Committee Secretary is responsible for sending them to the General Secretariat who keeps them in their corresponding folders. The minutes

bear a chronological number, beginning with n°1 for the Committee’s first meeting of each year.

### **Committee’s operating procedure**

The members must get informed of their role and responsibilities once they are nominated, and accept them by signing the charter.

The Committee Chairman may invite a Board Member, an Executive Director or any Manager at the Bank to attend the Committee meetings.

### **Main Responsibilities**

- authorize, on the basis of a file or a data sheet, the records exceeding a gross USD 75 million for all the Group entities, and excluding cash collateral and bank guarantees of a rating > A
- ratify any excess of the ceiling of USD 75 million within a maximum range of 15%
- Ratify, on the basis of a data sheet, the records between USD 15 million and USD 75 million, which are subject to recovery
- ratify, on the basis of commented tables, the simply renewed records between USD 15 million and USD 75 million
- review, on the basis of commented tables, the records between USD 5 million and USD 15 million
- receive sheets by Watchlist records that are non performant starting a respectively gross or net balance of USD 2 million.

The Committee may handle urgently, aside from its quarterly meetings, any credit request, within its scope of authority. If approved by all members, the request is then ratified in the next Committee meeting.

### **Credit Risk Committee of the Board of Directors meetings in 2018**

Date	12-3-2018	9-7-2018	18-10-2018	10-12-2018
Place	Beirut	Beirut	Beirut	Beirut
Attendance Rate	100%	100%	100%	100%

### **c) Corporate Governance and Compensation Committee**

In accordance with the Central Bank of Lebanon basic circular n° 133 issued on August 6, 2014, Banque Libano-Française S.A.L. formed a Remuneration Committee with an extended

scope of work to cover as well the Corporate Governance regulated by the basic circular n° 106 of the Central Bank of Lebanon of July 26, 2006.

The Corporate Governance and Compensation Committee is formed by the Board of Directors. Any modification in the operating charter of this committee should be approved by the Board.

### **Committee Members**

The Corporate Governance and Compensation Committee is comprised of a minimum of three non-executive members of the Board of Directors.

The Chairman is an independent member having the experience and the knowledge of performance and remuneration evaluation practices and the necessary competence to assess related risks specifically in the banking or finance sector.

The members should be well informed and aware of their role and responsibilities and should have the necessary expertise and competence to take independent and objective decisions when it comes to the remuneration policy, bonuses and their related risk.

The members of the Corporate Governance and Compensation Committee are:

Mr. Philippe Doré, *Chairman*

Mr. Zafer Chaoui

Me. Philippe Lette

According to the Central Bank of Lebanon basic circular n° 133, there is no cross membership limitation between the Corporate Governance and Compensation Committee and the Audit or Risks Committees.

### **Terms**

The Corporate Governance and Compensation Committee meets upon the request of the Chairman minimum twice every year.

A minimum of three members shall attend the meeting and the Chairman may fail to be present under exceptional circumstances, in which case the meeting is chaired by an independent member.

### **Secretariat**

The Secretariat of Corporate Governance and Compensation Committee is the responsibility of the Human Resources Director at the Bank, who prepares, at least two weeks prior to the meeting, a written, detailed meeting agenda, including relevant reports. In exceptional cases, the agenda may be given to the members 48 hours prior to the meeting. An additional subject can be added to the meeting agenda.

The Committee Secretary must prepare the minutes of the meeting. The minutes are signed by all present members of the Committee, and reported to the Board of Directors. The members who were not present at the meeting will therefore take note of the decisions made in their absence.

The CCB may access the meeting minutes.

Once the minutes are signed, the Secretary is responsible for keeping them in their corresponding folders. The minutes bear a chronological number, beginning with n°1 for the first meeting.

### **Main responsibilities**

The Corporate Governance and Compensation is tasked with the following responsibilities:

#### **Corporate Governance**

- set the rules and procedures of the Governance of the Bank, make sure it is well applied and suggest related recommendations to the Board of Directors
- formulate propositions regarding the new members of the Board of Directors
- approve the Code of Conduct and the professional ethic set to create a healthy Governance culture in the Bank and make sure that both are always updated and in line with the regulations
- make sure that the external communication (mainly dispatched in the annual report and the Bank website) is appropriate.

#### **Remunerations**

- develop a Remuneration policy in line with the regulations of the Central Bank of Lebanon, the article 2 of the basic circular n° 133 in particular, as well as its related internal procedures and rules and submit them all to the Board of Directors for approval
- make sure the Remuneration policy and its related internal procedures and rules are, at the Bank and its branches abroad, well applied, updated, and in line with the regulations of the Central Bank of Lebanon
- ensure that the Remuneration policy is revised periodically, at least once per year to guarantee conformity with the Bank strategy and operations development, and present, when needed, recommendations to the Board of Directors
- assess periodically the efficiency of the Remuneration policy to guarantee that the objectives are met, and obtain from the General Management the evaluation necessary information
- ensure a close coordination with the Risk Committee during the evaluation of the Remunerations and their related risks, and during the revision of the Remuneration Policy, to guarantee its efficiency and conformity with the real and effective performance of the Bank
- ensure that the allocated Remunerations match the Bank results, the fixed objectives and the expected future revenues
- ensure that the Remunerations are conform to the Bank strategy, structure and long-term risk strategy
- submit to the Board of Directors the suggestions related to the Remunerations allocated to the Executive General Management
- make sure that the Remunerations Circulars issued by the Central Bank of Lebanon are dispatched to all employees
- ensure that the Bank external communication is in line with the stipulations of the Central Bank of Lebanon circular n° 133.

## Corporate Governance and Compensation Committee meetings in 2018

Date	13-3-2018	19-10-2018
Place	Paris	Beirut
Attendance Rate	100%	100%

### d) Compliance (AML/CFT) Committee

In accordance with the Central Bank of Lebanon basic circular n° 421 issued on May 4, 2016, Banque Libano-Française formed a Compliance AML/CFT Committee (Anti-Money Laundering and Combating the Financing of Terrorism) formed by the Board of Directors. Any modification in the operating charter of this committee should be approved by the Board.

The General Management of the Bank estimates that the formation of a Compliance (AML/CFT) Committee should not replace the internal Compliance Committee at the Bank, which role is more operational, and which allows the Bank's Managers to discuss and arbitrate real day-to-day compliance cases. However, the cancellation of the Committee will diminish the importance of this function, considered vital today at the Bank. The Board of Directors has decided to keep the Compliance Committee formed at the level of the Management, along with the committee required by the Central Bank of Lebanon at the level of the Board.

### Committee Members

The Compliance (AML/CFT) Committee is comprised of a minimum of three members of the Board of Directors.

The circular does not require the members to be non-executive members nor a cross membership limitation between the members of the Compliance (AML/CFT) Committee and the members of the 3 other committees formed by the Board.

The Chairman is an independent member having an experience in compliance. However, he cannot be part of another committee formed by the Board. He can delegate his prerogatives to another person.

The members of the Committee are:

- Dr. Marwan Nsouli, *Chairman*
- Mr. Walid Raphaël
- Mr. Elie Nahas
- Mrs. Raya Raphaël Nahas

Participants:

- The Director of the Compliance (Committee Secretary)

### Terms

The Compliance (AML/CFT) Committee meets upon the request of the Chairman minimum twice every year.

A minimum of three members shall attend the meeting and may not take place in the absence of the Chairman.

## **Secretariat**

The Secretariat of Compliance (AML/CFT) Committee is the responsibility of the Compliance Manager at the Bank, who prepares, at least one week prior to the meeting, a written, detailed meeting agenda, including relevant reports. In exceptional cases, the Committee may be invited to hold a meeting in short notice.

The Committee Secretary must prepare the minutes of the meetings that summarize the discussions, the recommendations and the decisions. The minutes are signed by all present members of the Committee, and reported to the Compliance (AML/CFT) Committee members. The members who were not present at the meeting will therefore take note of the decisions made in their absence.

Once the minutes are signed, the Secretary is responsible for keeping them in their corresponding folders. The minutes bear a chronological number, beginning with n°1 for the first meeting.

## **Main responsibilities**

The scope of work of the Compliance (AML/CFT) Committee covers the Central Bank of Lebanon and all related branches, subsidiaries and entities in Lebanon and abroad.

The Committee is tasked with all the responsibilities required by the intermediate circular n° 421 of the Central Bank of Lebanon issued on May 4, 2016, mainly the following:

- support the Board of Directors in its functions and role of supervision in the framework of AML/CFT, as well as in its assimilation of the resulting risks, and help it take the adequate decisions
- follow up and insure the Bank's compliance to the various regulations concerning the fight against money laundering and financing of terrorism
- insure the enforcement, efficiency and periodic revision of AML/CFT procedures set to comply with the laws and regulations in force
- examine the reports received from the KYC Intelligence and the Internal Audit related to AML/CFT measures and procedures in force, to unusual transactions and to high-risk accounts according to the Risk-Based Approach, concerning cash deposits and withdrawals, transfers and exemptions of CTS filling, taking into consideration the evolution of the client's economic activity, as well as take the necessary decisions
- analyze the new legal requirements and regulations in terms of AML/CFT that would affect the Bank
- insure the revision of AML/CFT risk evaluation reports as well as reports concerning discrepancies and irregularities compared to the laws and regulations related to AML/CFT in force, set by the KYC Intelligence and the Legal Compliance Division, which include suggestions of corrective measures
- revise the efficiency of the control of the compliance's assessment reports with the laws and regulations in terms of AML/CFT and the results of investigations conducted by the Internal Audit in case of non-compliance
- insure that the AML/CFT risks to which the Bank is confronted are identified and reflected in the Bank's risk cartography

- insure that a process was well set to verify the functioning of the internal AML/CFT controls
- insure that AML/CFT regulations issued by the control and regulation authorities, are disseminated to the staff.

### **Compliance Committee's operating procedure (AML/CFT)**

Upon their nomination, the Compliance (AML/CFT) Committee members must be aware of their roles and responsibilities, as well as the instructions dictated by the intermediary circular n° 421 issued by the Central Bank of Lebanon on May 4, 2016, and sign the charter detailing them.

The Board of Directors of the Bank fixes an attendance fee for the Chairman and members of the Compliance (AML/CFT) Committee.

### **Compliance Committee's meetings in 2018**

Date	13-3-2018	17-10-2018
Place	Paris	Beirut
Attendance Rate	100%	100%

#### **4. Bank Committees**

- Executive Committee
- Management Board
- Risks Committee
- Policy and Credit Risk Strategy Committee
- Loan Remedial
- ALM Committee
- ALM Monitoring Committee
- Investment Committee
- Information Systems Committee
- Facilities Committee
- Organization, Planning and Strategy Committee
- Human Resources Committee
- General Inspection and Operational Risk Committee
- Security Committee
- Compliance Committee
- Career Development Committee
- Disciplinary Committee
- Business Continuity Management Committee
- T24 Optimization Committee
- Corporate Social Responsibility Committee
- Subsidiaries Abroad Committee

## 5. Organizational Structure

### Executive Committee

Walid Raphaël  
Chairman General Manager

Elie Nahas  
Chairman of Group Banque Libano-Française and General Manager

Raya Raphaël Nahas  
General Manager

Hoda Assi  
Assistant General Manager  
Head of Corporate Banking

Elie Aoun  
Assistant General Manager  
Head of Middle-Market Banking

Joséphine Chahine  
Assistant General Manager  
Chief Risk Officer

Philippe Chartouny  
Assistant General Manager  
Head of Organization, Information Technology and Security

Maurice Iskandar  
Assistant General Manager  
Head of International

Georges Khoury  
Assistant General Manager  
Head of Treasury and Capital Markets

Marwan Ramadan  
Assistant General Manager  
Head of Branch Network

Charles Salem

Assistant General Manager  
Global Head of Private Banking and Wealth Management

### **Business Development Divisions**

Branch Network  
Marwan Ramadan

Corporate Banking  
Hoda Assi

Middle-Market Banking  
Elie Aoun

Treasury and Capital Markets  
Georges Khoury

Private Banking and Wealth Management  
Charles Salem

International  
Maurice Iskandar

Loan Remediation  
Moustapha Alwan

Retail Banking Products and Marketing  
Ronald Zirka

Cards Services  
Myrna Wehbé

### **Support Divisions**

Risk Management  
Joséphine Chahine

Credit Risk  
Zahi Azouri

Compliance

Saïd Gebran

Legal Compliance

Maya Abboud

KYC Intelligence

Younna Nassif Bou-Rizk

Finance

Walid Issa

Organization, Information Technology and Security

Philippe Chartouny

Information Technology

Ghassan Sawaya

Security

Iskandar Aoun

Operations

Nada Khayat

Communications, CSR and Customer Experience

Tania Rizk

Human Resources

Georges Behlock

BLF Training Academy

Elie Dagher

General Services

Gabriel Rizk

Internal Audit

Fady Lahoud

Fiscal, Administrative and Financial Affairs

Jean Medlege

Legal

Marc de Chadarevian

## **6. Succession Plan**

The succession plan is set with respect to the provisions of the Code of Commerce as well as the regulations of the Central Bank of Lebanon.

In accordance with article 152 of the Code of Commerce, any changes in the rules governing the constitution of the Board of Directors should be notified to the Register of Commerce by the members.

This succession plan is settled according to the Bank's strategy and its approach, taking into account:

- the Board of Directors' structure and culture in terms of competencies, experiences and members qualifications
- the competencies and qualifications of each member and their general participation on the Board which includes their qualifications, experiences, technical skills (in accounting and audit, financial management, experience in banking and strategic planning, knowledge in terms of risk management and of corporate governance, knowledge of laws and regulations...); their competencies, capacities and personal qualities (their capacity to work in a team and to communicate constructively with others, their availability and regular attendance at meetings, their honesty, integrity, loyalty...)
- the member's personality and their harmony with the Board's culture
- the new member's added value to the Board.

The Board of Directors annually reviews the succession plan and ensures that it falls in line with the Bank's strategy and the evolution of its activity. All amendments are approved by the Board of Directors.

### **1. Definition of the term "Succession"**

"Succession" is a situation where an individual is prevented from filling in his/her responsibilities due to death, resignation, revocation, definitive impediment, total incapacity...

In respect of the rules of good governance, Banque Libano-Française has put in place a document that sets the basis of a succession plan for the members of the Board of Directors.

### **2. Structure of the Board of Directors**

According to the Statutes, the Board of Directors of Banque Libano-Française is composed of a minimum of three members and a maximum of twelve, elected by the General Assembly among the proprietary shareholders of at least two hundred fifty shares each.

The majority of the members of the Board of Directors are of Lebanese nationality in conformity with the legal requirements.

Moral persons can be part of the Board of Directors. They can be represented by a manager or a delegate from their board of directors even if these representatives are not personally shareholders of the company. (*Ref: Article 17 of BLF Statutes*)

To reinforce the efficiency of the Board of Directors and comply with the intermediary circular of the Central Bank of Lebanon n° 253 of April 21, 2011, the Bank should nominate a sufficient number of non-executive and independent members that should be proportional to the Bank's size, its transactions complexity degree and its risk structure.

The basic circular of the Central Bank of Lebanon n° 118 of July 21, 2008 defines the quality of non-executive and independent members as follows:

Non-executive member (a member of the Board who):

- does not occupy any administrative function at the Bank
- is not in charge of executive missions at the Bank and/or at its branches or subsidiaries abroad
- is currently not a consultant at the General Management, nor was a consultant during the 2 years preceding his nomination at the Board
- the member designated to represent the committee at the subsidiaries abroad is not considered as an executive member if he is not attributed this quality by the laws he abides by.

Independent member (a member of the Board who):

- is a non-executive member
- is not the one of the biggest shareholders who own directly or indirectly more than 5% of the Bank's shares or the voting rights related to these shares
- is independent from any member of the General Management and the main shareholders, and who currently does not maintain any professional relationship with them, nor had had one during the 2 years preceding his nomination at the Board
- does not have a parental relationship, up to the 4th degree, with the main shareholders of the Bank
- is not a debtor at the Bank.

### **3. Members' Mandate**

There is no age limit for a member's mandate.

The duration of the members' functions is three years.

All independent Directors shall not serve more than 7 successive terms.

Their shares must remain nominative and are subject to inalienability. (*Ref: Article 147 paragraph 2 of the Code of Commerce*)

At every annual assembly, a partial renewal of the Board should take place by electing a number of members and the total renewal is achieved by the end of each period of three years. (*Ref: Article 18 of BLF Statutes*)

The Board renewal and/or the replacement of the Board members is done as per the provisions of article 148 of the Code of Commerce related to eligibility conditions.

#### **4. Vacancy of a member position**

The new candidates for the position of Director are nominated at the Ordinary General Assembly, following the expiration of the Board's term or in the event of a vacancy on the Board.

If, for any reason, a member position is vacant (death, resignation, revocation, definitive impediment, total incapacity...), the Ordinary General Assembly eventually insures filling it at its next meeting, unless the remaining members deem this replacement as not urgent, in case of which an extraordinary assembly is held.

If the number of the remaining members is reduced to less than three, a General Assembly should be held in two months in order to complete at least the minimum required of 3 members.

The member nominated to take over the position of a former member will stay until the expiry of the former member's term. (*Ref: Article 21 of BLF Statutes*)

#### **5. Resignation of a member of the Board of Directors**

A member of the Board is considered as resigned if he fills a job or becomes a member of the Board at another institution practicing the same activities or one of the activities carried out by the Company, unless he was specially authorized to do so by the General Assembly. (*Ref: Article 20 of BLF Statutes*)

#### **6. Suggesting new members to the Board of Directors**

The Corporate Governance & Remunerations Committee formulates the suggestions to the Board of Directors to have new members; if favorable, the Chairman of the Board suggests them to the General Assembly.

The shareholders can also suggest candidates freely to the General Assembly.

The members of the Board must have the experience and knowledge required to carry out their functions.

Board members should have deep knowledge and expertise of finance, accounting, strategic planning, communications, governance, risk management, banking regulations, audit and compliance.

During the preparation of this document, the following regulations and publications of reference were examined:

- BLF Statutes
- the Code of Commerce
- the Circulars of the Central Bank of Lebanon and the BCC related to Corporate Governance
- ABL instructions related to Corporate Governance at the banks operating in Lebanon
- the Corporate Governance & Remunerations Committee Charter.

## **7. Auditors**

The auditors are coming from:

- Deloitte & Touche
- Fiduciaire du Moyen Orient (FMO)