

Corporate Governance Guidelines of Audi Private Bank sal

In 2012, the Board of Directors of Audi Private Bank sal (herein referred to as the « Bank »), made corporate governance improvement a central goal. In this regard, the Board adopted a set of voluntary guidelines to provide a framework for the Bank's corporate governance to be used by the Board and for the benefit of the Bank's shareholders and other stakeholders. Such a framework aimed at promoting continuity, consistency and effectiveness in the way the Board operates and governs the Bank. The Guidelines were based on international best practice and took into account, and were subordinate to, legal requirements and By-Laws of the Bank.

The Corporate Governance Guidelines are reviewed in 2017, notably in light of:

- The Principles for Enhancing Corporate Governance issued by the Basel Committee on Banking Supervision;
- The recent Governance related regulatory directives issued by the Central Bank of Lebanon;

1. The Mission of the Board:

The responsibility of the Board is to ensure strategic direction, management supervision and adequate control of the Bank, with the ultimate goal of increasing the long-term value of the Bank.

2. The Main Tasks of the Board:

In fulfilling its overall mission, the Board assumes the following tasks and responsibilities consistent with those set out in the By-laws of the Bank:

1. Review and approve the multi-year business plan and annual budget of the Bank. Oversee management and provide guidance on the achievement of objectives set out in the business plan and budget;
2. Ensure that the Bank's risk management, compliance and internal control infrastructures keep pace with any changes to its risk profile (including its growth) and to the external risk landscape;
3. Ensure that the risk management function, compliance function and internal audit function, have each sufficient authority, stature, independence, resources and access to the board or its relevant Committee;
4. Assisted by the Corporate Governance, ensure that the Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements and strive to achieve global corporate governance best practice standards in the Bank. To this effect, approve and regularly review these Guidelines, Chart of Authorities and Delegation of Powers to Management, Committee charters and practices; and, when necessary, the By-laws and propose amendments to the General Meeting of Shareholders;
5. Ensure that the spirit of these Guidelines is followed by the Bank and that appropriate policies to this effect are put in place;

6. Assisted by the Board Remuneration Committee, maintain policies (including a written Compensation and Benefits Policy) to attract, retain, develop and motivate executives and employees of high caliber and regularly review these policies in order to ensure their alignment with the Bank's strategy and development as well as with regulatory requirements;
7. Assisted by the Board Remuneration Committee, develop a culture of fairly evaluating effort and rewarding performance; and develop and maintain a coherent, ethical system of values and incentives for human resource development throughout the Bank;
8. Appoint, review the service contract and, when necessary, dismiss the Chairman General Manager and General Manager;
9. The Board, on a recommendation from the Remuneration Committee, should decide on the annual remuneration of the Board members, General Manager and Deputy General Manager, to be submitted to the General Meeting of Shareholders;
10. Assisted by the Board Audit Committee, ensure that the Bank has an effective system of internal control, including financial control; regularly evaluate the internal control system; ensure effective, independent external and internal audit functions and an effective legal and regulatory compliance function;
11. Assisted by the Board Risk Committee and within the risk framework adopted at the level of the Group, (i) approve the risk Policies and risk Appetite, (ii) monitor risk profile for all types of risks; and (iii) oversee the management framework of the aforementioned risks and assess its effectiveness;
12. Assisted by the Board Audit Committee, review and approve the Bank's financial statements and ensure the integrity of all financial and non-financial regular or ad hoc disclosures;
13. Ensure that the Bank has developed and maintains a high-standard, functioning Code of Conduct for Bank employees;
14. Assisted by the Board AML/CFT Committee, discharge its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and take the appropriate decisions in this regard;
15. Review and approve major transactions, notably those defined in the Chart of Authorities and Delegation of Powers to Management (where applicable), or other transactions of strategic importance that the General Manager submits for its approval. Review and approve major acquisitions by the Bank of stakes in other companies, other than for purely financial purposes;
16. Review and approve transactions between the Bank and Directors or other parties related to the Bank, according to these Guidelines, the By-laws and/or the Bank's Code of Conduct and, where appropriate, seek approval from Shareholders and submit an annual report on Related Party Transactions to the Shareholders;

17. Approve the establishment and participation of the Bank in charitable foundations, nonprofit associations and non-profit corporations;
18. Decide on any other issue, as required by laws, regulations, and by the By-laws of the Bank or considered by the Chairman of the Board or the General Manager to be of importance to the Bank.

3. The Authority of the Board of Directors:

1. The Chairman of the Bank represents the Bank in all instances according to Lebanese law. The Board has ultimate power to decide on all issues of management, except those areas that are reserved by law or by the By-laws of the Bank to the authority and competence of the General Meeting of Shareholders.
2. The Board of Directors may decide to delegate part of its powers, in specific areas, to one or more of its members or to executives and staff of the Bank. The scope of such duties, powers and fee to be paid to such authorized persons shall be determined by the Board of Directors. It might also decide to delegate the right to the Chairman or to the General Manager to further confer delegated authorities to the staff of the Bank.
3. The above delegations and authorities should be clearly outlined in a Chart of Authorities and Delegation of Powers to Management which is maintained by the Board. The Board should also maintain a schedule of Reserved Powers over which the Board retains full decision making authority.

4. The Structure of the Board of Directors:

4.1 The Board of Directors size:

The number of directors, which shall be at least 3 and should not exceed 12, is decided upon by the General Meeting of Shareholders, following a proposal by the Board. The Board might decide not to fill any vacant post following a resignation, death or discharge of a director until the next General Assembly Meeting.

4.2 The Board Of Directors Composition:

The Board of Directors should consist of qualified Directors as defined in section 6.1, distributed as follows:

- a. At least half of the Board Of Directors should consist of Non-Executive Directors, who are not employed by the Bank or by a subsidiary and are not involved in its day to day business;
- b. At least 1/3 of the members of the Board should consist of Independent Non-Executive Directors as defined in section 6.5;

4.3 The role and responsibilities of the Chairman of the Board:

The Chairman of the Board shall be elected by the Board of Directors from among its members. The Chairman:

1. is responsible for leadership of the Board of Directors, ensuring the fulfillment of all of its tasks and responsibilities, the proper planning of its agenda, the effectiveness of its meetings and the efficient use of the Board of Directors' time;
2. calls and presides over the meetings of the Board Of Directors, approves the Agendas and guides the Secretary of the Board Of Directors on all matters relevant to the Board Of Directors;
3. is responsible for ensuring that the Directors receive accurate, timely and clear information;
4. facilitates the effective contribution of Non-Executive Directors in particular;
5. is available to Shareholders as the representative of the Bank and its principal voice on all matters;
6. The Chairman of the Board is also the General Manager of the Bank, as stipulated in the Lebanese Law. The Chairman may propose to the Board of Directors the appointment of a General Manager, other than himself, who will assume the responsibility of managing the business and operations of the Bank for the account of and under the responsibility of the Chairman and with final accountability to the Board Of Directors;

4.4 The Vice Chairman of the Board of Directors:

A Vice Chairman may be elected by the Board of Directors to chair meetings in the absence of the Chairman.

4.5 The Board of Directors Committees:

The Board of Directors should establish and maintain the following regular committees:

- the Audit Committee;
- the Risk Committee;
- the Remuneration Committee;
- the AML/CFT Committee;

Each committee shall have its own charter, which will be approved by the Board of Directors and annexed to these Guidelines. The Board of Directors may, from time to time, establish or maintain additional committees as necessary or appropriate.

5. The Functioning of the Board of Directors:

5.1 The Meetings:

1. The Board of Directors shall meet as frequently as needed and at least 4 times per year. The Chairman (or, in his absence, the Vice-Chairman) may convene a meeting at his discretion. At least two Board members can request a meeting, in which case the Chairman is obliged to convene a meeting within 10 days of the request;
2. The Board of Directors has the requisite quorum when one half plus one of the directors is present (or represented). Decisions are taken by majority of those participating;
3. The proceedings and decision of the Board and its Committees are recorded in minutes of meeting. Minutes of every meeting should be distributed and approved at the Board's following meeting;
4. Participation at a meeting can take place by tele- or video-conference, when directors participating in this manner have in parallel given general proxies to other members of the Board for voting purposes;
5. The Agenda of every Board of Directors meeting will be set by the Chairman;
6. At its first meeting of every calendar year, the Board of Directors should adopt a calendar of meetings and a rolling Agenda for the next 12 months which properly fulfils its tasks and responsibilities and responding to all matters reserved for its decision;
7. Meetings shall be attended by the Corporate Secretary. The Chairman may invite other executives and external advisors to participate as required. The Chairman may at any time decide to close the Board of Directors meeting to any non-members;
8. Directors should receive adequate documentation for each item on the Board of Directors Agenda. Save for exceptional circumstances, the Agenda and the meeting documents should be distributed at least five working days before the meeting. Distribution by electronic means is considered valid.

5.2 The Corporate Secretary:

The Corporate Secretary is responsible towards the Chairman for:

1. The effective Functioning of, and support for, the Board Of Directors and its Committees;
2. Proper communication and information flow between the Board of Directors and the rest of the Bank;
3. Ensuring that the Bank's Corporate Governance is properly documented and communicated to Shareholders;

4. Organizing General Meetings of Shareholders and ensuring that Shareholders are adequately informed and facilitated in the exercise of their shareholder rights.

The Secretary of the Board of Directors shall report directly to the Chairman.

5.3 The Board of Directors Evaluation:

The Board of Directors should conduct an annual Board of Directors performance evaluation on the basis of a methodology approved by the Board of Directors. The evaluation may be carried out by an outside consultant.

6. The Directors' Qualifications and Independence:

6.1 Directors' Qualifications:

In order to be considered by the Board of Directors as a candidate for the Board of Directors' proposal to the General Meeting of Shareholders, a candidate should:

1. Have a history that indicates he or she is committed to high Ethical standards;
2. Have a clear sense of the balance between the legitimate interests and concerns of all of the Bank's Shareholders and other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency;
3. Have the willingness and intellectual authority to challenge management, while working constructively as part of a team in an environment of trust;
4. Be ready to devote sufficient time and energy to discharging his or her duties as a director;
5. Have skills, expertise and knowledge that complements those of the existing Directors, taking into consideration the review of the Board of Directors' profile;

6.2 Profile of the Board of Directors:

Prior to any nominations of directors being made to Shareholders at the relevant Annual General Meeting, the Board of Directors should ensure that the new Board of Directors, as a collective body, would present the following profile:

1. Superior knowledge of the financial industry;
2. Business, governmental, non-profit or professional experience, including individuals that are serving or have served as Chairmen, Chief Executive Officers or senior managers of large organizations and have a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
3. Adequate understanding of the Bank's client universe and of the main geographic markets in which the Bank is active;

4. Financial expertise required to provide effective oversight of a diversified financial services business.

6.3 Director Incompatibilities:

The following professional affiliations are incompatible with the position of a Board Director:

1. An executive, Board member or employee or any other affiliation that implies a duty of loyalty to one of the Bank's competitors or any other institution whose interests might conflict as a matter of course with the interests of the Bank and its Shareholders;
2. A consultant or external advisor to the Bank or an employee or partner of a firm that is consulting or advising the Bank, including its external auditor.

6.4 Definition of non-executive Director:

In order to be considered a non-executive director by the Board, a director should:

1. Not be occupying, and not have occupied over the two years preceding his appointment, an executive function in the Bank nor in any of its local or foreign consolidated branches or subsidiaries;
2. Not be providing, and not have provided over the two years preceding his appointment, advisory services to the Executive Management

6.5 Definition of Director Independence:

In order to be considered an independent non- executive director by the Board, a director should conform to the definition of a Non-executive Director as per section 6.4 above, and should have no relationship with the Bank that would interfere with the exercise of independent judgment in carrying out responsibilities as a director. Such a relationship should be assumed to exist when a director (as defined by the Central Bank of Lebanon Basic Circular no. 118):

1. Is a major shareholder (i.e. Owns, directly or indirectly, more than 5% of outstanding common stock, or more than 5% of the voting rights relating to the outstanding common stock), or is a relative, up to the fourth degree of kinship, of a major shareholder;
2. Has, or has had over the two years preceding his appointment, a business relationship with any of the Senior Executives or with a major shareholders of the Bank;
3. Is the beneficiary of credit facilities granted by the Bank;
4. Is him/her self or in conjunction with any of his/her affiliates a significant client of the Bank. A significant client is considered to be one who is among the top 10 clients of the Bank or any of its affiliated companies, in terms of either total value of deposits or fees paid during the previous calendar year;

5. Is him/her self or in conjunction with any of his/her affiliates a significant supplier of the Bank, having supplied to the bank services or goods worth more than LBP 2000 million over the preceding 3 calendar years;
6. He/she or his/her affiliates have been over the 3 years preceding his appointment a partner or an employee of the Bank's external auditor;
7. He/she or his/her affiliates are partners with the Bank in any joint venture or other type of partnership that represents more than 2% of either of the partners' revenues, in terms of the balance sheet value of their respective stakes;
8. For the purposes of interpreting items 6.5.4 to 6.5.7, an affiliate of a director is, as the case may be: (a) any immediate relative up to the second degree of kinship or spouse or (b) any commercial entity of which a director or its affiliates under (a) are Board members, senior executives or partners or of which they control directly or indirectly more than 10% of its decision making rights.

6.6 Director orientation and continuous education:

The Bank should provide an orientation program for new Directors which should include presentations by senior management on the Bank's Business Plan, its significant Financial, accounting and Risk Management issues, its Compliance function, its Code of Ethics and Conduct and its management structure. The orientation program may also include visits to certain of the Bank's significant branches. The Bank should also make available continuing education and development programs for all members of the Board of Directors. All new directors should participate in the orientation program.

7. Directors' Rights & Duties:

7.1 Rights:

The members of the Board of Directors have the following rights:

1. The Right to be informed:
 - a. Directors should receive and review on a quarterly basis a set of key Performance indicators relevant to the achievement of Business Plan and annual budget targets.
 - b. In addition to information regularly received by the Board of Directors, Directors should be able to access any of the Bank's information, records, and books through the Chairman.
 - c. In the course of fulfilling their duties, and in order to seek information and advice, Directors should have access to any member of senior management of the Bank through the Chairman.
2. The right of access to the Agenda: Any member of the Board of Directors may request that the Chairman includes one or more items on the next Board of Directors meeting Agenda;
3. The right to be adequately insured: Directors should be adequately covered at the cost of the Bank against legal or other risks in conjunction with their duties at the Bank;

4. The right to record disagreement: Directors should have the right to express disagreement with a decision of the Board of Directors in writing and to record their opinion in the minutes;
5. The right to keep personal data private: Directors should have a right to have all their disclosures to the Board Of Directors, its Committees or the Bank that are not already a matter of public record remain confidential, unless the release of such information is required by law, the Bank's By-laws, these present Guidelines or specific Bank Policies approved by the Board of Directors.

7.2 Directors' Duties:

The members of the Board of Directors have the following duties:

1. Ethics and reputation: Directors should uphold the highest Ethical standards and maintain an impeccable reputation. Any issue that can impact on their reputation and trustworthiness in any country where the Bank is active should be reported to the Chairman of the Bank;
2. Compliance: Directors should undertake to comply with all laws and Regulations in all aspects of their public and private lives. Any ongoing litigation in which they are involved or real risk thereof should be reported to the Chairman of the Bank;
3. Regular attendance: The Chairman of the Board, through the Corporate Secretary, should monitor attendance at every meeting. Individual attendance should be noted in the minutes;
4. Diligence and care: Directors should apply the level of care and diligence that can reasonably be expected from a Director in this position;
5. Protection and use of company assets: All Directors should endeavor to protect the Bank's assets and ensure their efficient use. All company assets must be used for legitimate business purposes;
6. Fair dealing and equal treatment: Directors should deal fairly with all of the Bank's employees, suppliers, clients and competitors. Directors should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. All business relationships, lending relationships, deposit and other banking relationships between the Bank and a Director or his/her affiliates should be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons;
7. Communications: The Chairman of the Board and the General Manager should speak for the Bank. Other non-executive directors may, from time to time, meet or otherwise communicate with various constituencies with the agreement of the Chairman;
8. Confidentiality: Directors must maintain strict confidentiality of all information concerning the Bank, that has not been disclosed by the Bank, and they have the duty not to disclose any information, data, reports or background information which comes to their knowledge in the course of their duties, as long as this information has not otherwise become public. This obligation shall continue once a director has left the Board of Directors;

9. Conflicts of Interest and related party transactions:

Directors have a duty of loyalty to the Bank. They should strive to avoid Conflicts of Interests with the Bank. In particular:

- a. Directors should not take for themselves personally opportunities or potential opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors. Directors should advance the Bank's legitimate interests when the opportunity to do so arises;
 - b. Directors must not during their tenure become an executive, Board member or employee or otherwise assume a position which implies a duty of Loyalty to one of the Bank's competitors, or to other Institutions whose interests might conflict as a matter of course with the interests of the Bank or its Shareholders. If they choose to do so, they should concurrently submit their resignation from the Board of Directors;
 - c. Directors or their affiliates are strictly prohibited from using any information they obtain in the course of their duties in order to trade in the Audi's shares;
 - d. Directors should disclose annually to the Corporate Secretary their main professional affiliations and engagements, including responsibilities in non-profit organizations. Directors have an obligation to disclose to the Corporate Secretary on a timely basis any changes to the above as well as any other event that might put them in a conflict situation with the Bank or may alter their status as Non-Executive or Independent Directors;
 - e. Prior to their approval by Shareholders in the cases where this is required by law, all transactions between the Bank and a Director or his/her affiliates that do not fall within the normal course of banking business or are substantially different from those prevailing at the time for comparable transactions with non-affiliated persons should be approved by the Board of Directors. Directors shall disclose to the Board of Directors any such transaction on a timely basis;
 - f. Directors have a duty to disclose in advance to the Chairman any share dealings in shares and derivatives of the Bank and its affiliates according to the provisions of the relevant legal requirements and the Bank's By-law. The Chairman has to disclose any such dealings to the Vice-Chairman;
 - g. Directors should excuse themselves from any discussion, and should not participate in a decision, on any issue on which they have an actual or potential Conflict of Interest. When in doubt, they should consult with the Chairman or the Corporate Secretary;
 - h. The Chairman may ask one or more Directors to abstain from the discussion and decision if he/she considers that on there is a Conflict of Interest on the specific topic.
10. Competing engagements: Directors should not sit on more than four other Boards of companies that are either publicly listed or are not part of the Audi Group. Private companies within the group of companies in which a non-executive director serves in an executive

function are not included in the calculation of the above threshold.

8. Directors' Retirement:

- a. Retirement Age: Executive and Non-Executive Directors that reach the age of 75 will retire from the Board of Directors;
- b. Executives resign upon retirement: All executive or employee members of the Board of Directors should resign upon their retirement or departure from the Bank.

9. Relationship with Shareholders:

Agenda: The Board of Directors decides the issues that will be put on the Agenda of the General Meeting of Shareholders. Shareholders should receive all adequate documentation and other information regarding all Agenda items at the time the Agenda is published.

Document History:

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