

Corporate Governance & CSR Report 2014

Bank of Sharjah's Mission Statement

“The mission of Bank of Sharjah is to achieve strong and sustainable performance for its shareholders. The Bank is committed to its personnel and clientele to accompany them in realizing their aspirations and objectives.

Performance, Ethics, Transparency, Initiative, Commitment, Quality

are imprinted in the way we do business and how we contribute to the society and environment.’

1 - Introduction

Bank of Sharjah was established in 1973, and since its inception, good corporate governance practice has been part of the Bank's culture. It is integral to the way in which the Bank operates and is managed. It is our governance model, built on our core values with tight internal controls, that has ensured that Bank of Sharjah has always remained successful, even in the most testing economic environments.

Bank of Sharjah, as the parent company of Emirates Lebanon Bank, ensures adequate Corporate Governance across the Group. A Group strategy has been developed, focusing on transparency and disclosure, in line with international standards. The development of a comprehensive Corporate Governance framework for the Group has been managed effectively with Board and Committee Charters being aligned with the legislative practices in the respective Countries. Internal policies such as Code of Conduct, Code of Ethics, Disclosure Policy and Conflict of Interest Policy have also been standardised at the Group level.

The Bank has a designated Corporate Governance and CSR Officer, overseen by the Board of Directors, whose primary role is the development and implementation of the Bank's governance framework.

2 - Board of Directors

Bank of Sharjah has a very experienced, highly skilled and well-respected Board of Directors, focused on achieving best practice with respect to governance, while ensuring the Bank has a clear direction, guidance and a positive outlook. Our Board Members concentrate on Bank of Sharjah's long-term sustainability and consider the Bank's valued shareholders in all decision making processes.

The Board's primary function is being in line with Principle One of Basel II 'Principles for Enhancing Corporate Governance' (2010:7) which states:

“The Board has overall responsibility for the Bank,
including approving and overseeing the implementation
of the Bank's strategic objectives, risk strategy,
corporate governance and corporate values.
It is the Board's responsibility
to direct and supervise the general management.”

The Board considers transparency and disclosure as the fundamentals of good governance and thus regularly communicates with the Senior Management team.

Bank of Sharjah's Board of Directors, is composed of eleven members who are majority independent. The Board meets regularly, six times per year.

Emirates Lebanon Bank S.A.L.: In 2014 a new Board was elected :

Mr. Varouj Nerguizian	Chairman & General Manager
Sheikh Saif Bin Mohammed Butti Al Hamed	Vice Chairman & Independent Director
Mr. Abdul Aziz Mubarak Al Hasawi	Vice Chairman & Non-Executive Director
Sheikh Mohammed Bin Saud Al Qasimi	Representative of BOS & Non-Executive Director
H.E. Selim Jreissati	Independent Director
Mr. Karim Souaid	Independent Director
Dr. Bassel Salloukh	Independent Director
Mr. Fadi Ghosn	Non-Executive Director
Sheikh Khalid Bin Sultan Al Qasimi	Independent Director
Mr. Salah Al Noman	Independent Director
Mr. Mario Tohme	Non-Executive Director
Mr. Aram Nerguizian	Independent Director
Mr. Jean-Jacques Santini	Advisor

3 - Board Committees

There are four Board Committees. The Board Committees all meet at least four times per year. The Board and all of its Committees are conducted in accordance with the Board Charters and Policies as well as the Bank's Articles of Association.

Board Executive Committee (BEC)

The Board Executive Committee is an emanation of the Board. It is granted extensive powers to manage the Bank and supervise its operation in accordance with the general directives of the Board of Directors, and within the framework of the laws and regulations.

The Board Executive Committee consists of the Chairman and three Board members in addition to the General Manager.

Any decision made should be taken unanimously by the five members and shall be binding upon the Board as if the Board adopted them.

Responsibilities

- Devise the general policy of the investment of the funds, acquisition of the loans and their transfer, with or without security.
- Extend all banking facilities, funded or unfunded, in local or any foreign currency, against any security it deems appropriate and to set their terms.
- Record notations of lawsuits in the real estate register and to delete such notations
- Obtain mortgages and other rights whether in rem or personal.

Board Executive Committee Members; Emirates Lebanon Bank S.A.L.

Mr. Varouj Nerguizian
Mr. Saud Al Besharah
Mr. Francois Dauge
Mr. Fadi Ghosn
Mr. Mario Tohme

Board Audit and Compliance Committee (BACC)

Role

- Verify the independence of the Bank's External Auditors.
- Assess the integrity of the Bank's financial statements and disclosures.
- Ensure the Bank has an effective and efficient internal auditing process.
- Ensure that the Bank is in compliance with all regulatory and legal requirements in line with the Bank's Code of Conduct.

Board Audit & Compliance Committee Members; Emirates Lebanon Bank S.A.L.

Mr. Karim Souaid Chairman
Dr. Bassel Salloukh
Mr. Fadi Ghosn
Mr. Mario Tohme

Board Risk Committee (BRC)

Role

- Ensure the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives.
- Ensure the disclosures regarding risk are comprehensive, timely and relevant.
- Ensure Risks are managed within the levels of tolerance and appetite as approved by the Board, through the continuous monitoring of processes in place.

Board Risk Committee Members; Emirates Lebanon Bank S.A.L.

H.E. Selim Jreissati Chairman
Mr. Varouj Nerguizian
Mr. Fadi Ghosn

Board Corporate Governance, Compensation, Remuneration & Nomination Committee (BCGCRNC)

Role

- Oversee the Corporate Governance policies and practices, to ensure the Bank is meeting best practice standards and is complying with local legislation and regulator's guidelines.
- Monitor the Assessment Procedure of the Board's individual Directors and its Committees, according to the internal processes.
- Ensure an independent overview of all elements of remuneration and the structure of compensation packages as well as the nomination procedure for Senior Management and for Board members.

The most recent Board Assessment was performed in 2014, through which the Board Committees and Board Members were assessed, and the results were presented to the Board.

Board Corporate Governance Committee Members; Emirates Lebanon Bank S.A.L.

Dr. Bassel Salloukh Chairman
Mr. Fadi Ghosn
Mr. Mario Tohme
Mr. Aram Nerguizian

Board Compensation, Remuneration & Nomination Committee Members; Emirates Lebanon Bank S.A.L.:

Mr. Salah Al Noman Chairman
H.E. Selim Jreissati
Mr. Mario Tohme
Mr. Fadi Ghosn

4 - Senior Management

The Bank has a highly experienced and qualified Senior Management team appointed by the Board of Directors. Senior Management's role is separate from that of the Board. The Directors provide guidance to the Management team on the best way for achieving the Company's aims and objectives. A key focus for Senior Management is to ensure that the Bank is conducting its business in line with its objectives while maintaining a focus on internal controls and risk management. The Board ensures that Management acts in a fair and honest fashion and that the best interests of the Bank's stakeholders, especially shareholders, are of paramount importance and in line with the Bank's Mission Statement.

5 - Management Committees

To strengthen the transparency in Corporate Governance and enhance the efficiency of the banking processes, the Bank has formalized all of its Management Committees within a global structure, all providing recommendations to the General Manager.

A brief description of each Committee's role is as follows:

Management Executive Committee

This Committee has the responsibility to discuss significant issues across all business units of the Bank, including but not limited to:

- Financial Performance.
- Local, regional and global issues impacting business and/or clients.
- Potential impacts of new laws/regulations on the way the Bank operates.

Management Internal Control Committee

The Internal Control System is the overall structure aimed at controlling various risks that the Bank is exposed to, through the performance of its activities.

The Internal Control Committee ensures that:

- Rules and guideline procedures are implemented and updated accordingly.
- Appropriate organizational measures are taken, particularly with respect to the segregation of duties.
- Effective controls are in place, monitoring the Bank's activities.

Credit Management Committee

The Credit Management Committee establishes policies and guidelines for executing Bank's credit strategies and makes recommendations on the current financing proposals. Some of its responsibilities include:

- Ensuring implementation and update of Credit procedures, in compliance with applicable regulations and audit requirements.
- Recommending and revising country and industry-specific limits, aimed at ensuring the Bank's risk exposure is compatible with the Board approved risk appetite.
- Controlling and monitoring the utilization of facilities within stipulated limits

Asset & Liability Management Committee

The Asset and Liability Management Committee encompasses the strategic management of the balance sheet aimed at achieving a sustained growth while maintaining the quality of earnings and the solvency of the Bank.

The main functions of the Asset and Liability Management Committee are:

- Liquidity Management: developing rigorous liquidity and funding policies.
- Investment Policy and Foreign Exchange Management: monitoring the performance of Bank's current investments.
- Pricing Management: setting guidelines aimed at achieving the desired growth rate for the Bank.

IT Management Steering Committee

The IT Management Steering Committee focuses on defining and prioritizing IT Projects and initiatives and ensuring their alignment with business requirements.

The Committee is responsible for

- Preparing the IT strategy and budget; as well as monitoring the execution of the strategy.
- Ensuring that IT governance is aligned with the overall corporate governance framework.
- Monitoring the return on investments and the value added from IT projects.

Human Resources Management Committee

The HR Committee has been established to strategically manage the HR processes of the Bank.

Its main tasks are:

- Assessing promotions with a direct financial bearing: salary, allowance, compensation, and grade scaling.
- Promote the employment of local staff by ensuring the implementation of the Emiratization Program.
- Review procedures and issues concerning employees.

6 - Board of Directors Attendance

Board Attendance for the Year 2014

Meeting Date	01-02-14	15-03-14	15-03-14	24-05-14	08-11-14	13-12-14	Total
Meeting No.	197	198	199	200	201	202	2014
1 Mr. Ahmed Abdalla Al Noman	1	1	1	1	1	0	5
2 Sh. Mohammed Bin Saud Al Qasimi	1	0	0	1	1	0	3
3 Sh. Saif Bin Mohd. Bin Butti Al Hamed	0	1	1	1	0	0	3
4 H.E. Humaid Nasser Al Owais	0	0	0	1	1	1	3
5 Mr. Abdul Rahman Bukhatir	1	1	1	1	1	1	6
6 Mr. Abdul Aziz Hassan Al Midfa	1	1	1	1	1	1	6
7 Mr. Abdul Aziz Mubarak Al Hasawi	1	1	1	1	0	1	5
8 Mr. Saud Al Besharah	1	1	1	1	1	0	5
9 Mr. Francois Dauge	1	1	1	1	1	1	6
10 Mr. Jean-Jacques Santini	1	1	1	1	1	1	6
11 Mr. Varouj Nerguizian	1	1	1	1	1	1	6

Bank's Commitment to remain updated with the recent developments in the Global Financial System

The Bank continuously tries to offer opportunities for its Board Members, Senior Management as well as its employees to keep abreast of the latest regulatory and legal reforms in the global financial system.

On September 20th 2014, the Bank organized a briefing session on the latest trends in anti-money laundering and international economic sanctions. The session was led by Mr. Chip Poncy, of Financial Integrity Network DC USA and former Director of the Office of Strategic Policy for Terrorist Financing and Financial Crimes (OSP), who briefed over 50 staff from the Bank. Mr. Poncy touched on a number of significant issues related to anti-money laundering and international sanctions, with a focus on the current and projected US policies.

On December 8th 2014, the Bank held a forum on the Changing US Role In Middle Eastern Security and Protecting the Global Economy at Burj Al Arab. A keynote speech was given by Dr. Anthony H. Cordesman, who holds the Arleigh A. Burke Chair in Strategy at the Centre for Strategic & International Studies (CSIS) in Washington D.C and is a prominent US national security analyst. The forum was attended by a wide group of people including prominent VIPs, dignitaries, politicians and businessmen.

MAJOR SHAREHOLDERS	%	No. of Shares
Sharjah Asset Management*	15.49%	325,265,292
Al Saqr United Group	11.42%	239,745,670
Mr. Ahmed Abdalla Al Noman	5.22%	109,537,949
Total	32.12%	674,548,911

*A Government of Sharjah Entity

BOARD OF DIRECTORS HOLDING MORE THAN 01% OF SHARES	%	No. of Shares
Mr. Ahmed Abdalla Al Noman	5.22%	109,537,949
Mr. Abdul Aziz Al Hasawi	4.32%	90,795,959
Sheikh Mohammed Bin Saud Al Qasimi	4.16%	87,356,339
Mr. Abdul Rahman Bukhatir	2.96%	62,221,552
Mr. Abdul Aziz Hassan Al Midfa	1.13%	23,641,002
Other Board Members	0.78%	16,327,212
Total	18.57%	389,880,013

SENIOR MANAGEMENT SHAREHOLDING	%	No. of Shares
Mr. Varouj Nerguizian	0.28%	5,870,115
Mr. Mario Tohme	0.07%	1,571,677
Mr. Fadi Ghosn	0.08%	1,590,176
Total	0.43%	9,031,968