

[Corporate Governance Practices in Administrative and Oversight Contexts A Comparative Legal Analysis]

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Abstract:

This comparative analytical study examines the impact of legislative modernization on joint-stock corporate governance in Lebanese and French legal frameworks, with a particular focus on the structural reforms introduced by Lebanese Law No. 126/2019 alongside the French PACTE and Florange Acts. The research highlights the efficacy of bifurcating the Board Chairmanship from General Management to mitigate conflicts of interest and refine legal liability attribution, while critically assessing the statutory divergence between Lebanon's abolition of double voting rights and France's conditional retention designed to incentivize long-term equity investment. Furthermore, the study analyzes the pivotal role of specialized board committees (Audit, Risk, ESG) and the statutory independence of external auditors (commissaires aux comptes) in preventing corporate insolvency, ultimately exploring how integrating Artificial Intelligence and smart contracts transforms internal control ecosystems and legal compliance.

Keywords: Board of Directors, Corporate Governance, General Management, Statutory Auditing, Voting Rights.

ملخص الدراسة باللغة العربية:

تتناول هذه الدراسة التحليلية المقارنة أثر التطوير التشريعي على حوكمة الشركات المساهمة بين القانونين اللبناني والفرنسي، مع التركيز على المراجعات الهيكلية التي أحدثها القانون رقم 126/2019 في لبنان مقابل قانون "باكت" (PACTE) وقانون "فلورانج" (Florange) في فرنسا. يسلط البحث الضوء على فاعلية الفصل بين رئاسة مجلس الإدارة والإدارة العامة للحد من تضارب المصالح وتحديد المسؤوليات القانونية، مع إبراز التباين التشريعي بين إلغاء حقوق التصويت المضاعفة في لبنان وترخيصها المشروط في فرنسا لتعزيز الاستثمار طويل الأجل. كما يحلل البحث الدور الجوهري للجان التخصصية (التدقيق، المخاطر، الحوكمة البيئية والاجتماعية) والمستقلة القانونية لمدققي الحسابات (commissaires aux comptes) في منع الانهيارات المؤسسية، وصولاً إلى استشراف أثر إدماج أدوات الذكاء الاصطناعي والعقود الذكية في رفع كفاءة الرقابة الداخلية والامتثال الذاتي.

الكلمات المفتاحية: إدارة عامة، تدقيق حسابات، حوكمة الشركات، حقوق التصويت، مجلس الإدارة.

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Introduction:

In the constantly evolving landscape of corporate governance, the application of governing principles extends far beyond mere regulatory compliance to embody a profound commitment to fostering an institutional culture of integrity, transparency, and strategic oversight within both administrative and supervisory corporate spheres. This paradigm shift in corporate structural organization reflects an explicit recognition that governance has transcended classical bureaucratic constraints to become a dynamic, integrated system dictating diverse operational and oversight dimensions within the firm. Consequently, executive management transitions from a transactional channel for operational directives into a pillar of sound management and strategic vision - a structural evolution addressed by both Lebanese and French corporate legal frameworks as an implicit endorsement of corporate governance efficacy. Given that corporate sustainability and resilience are intrinsically tied to managerial methodologies, operational mechanisms, and internal control architectures, this study provides an integrated legal and comparative analysis of administrative decision-making structures, specialized board committees, and statutory auditing frameworks under contemporary Lebanese and French laws.

Theoretical Framework and Literature Review

Anchored in Stakeholder Theory (Donaldson & Preston, 1995), this research conceptualizes the corporation as an amalgam of collaborative and competitive interests requiring balanced governance mechanisms beyond traditional shareholder-centric models. Modern legal scholarship emphasizes that internal corporate governance relies on two structural pillars: decision-making architecture and internal or external control mechanisms (Hansmann & Kraakman, 2001; Nassif, 2012). While existing comparative literature extensively analyzes executive role separation (Abdelmoumen, 2013) and weighted voting dynamics under French corporate law (such as the Loi Florange and Loi PACTE), significant scholarly gaps remain regarding the comprehensive evaluation of the 2019 legislative amendments to the Lebanese Commercial Code (Law No. 126/2019). Specifically, literature has yet to fully reconcile the statutory bifurcation of the Board Chairmanship and General Management under Article 153, the partial abolition of double voting rights under Article 31, and the structural independence of statutory auditors under Lebanese law compared to French statutory paradigms. Furthermore, emerging research highlights the necessity of embedding legal technology and Artificial Intelligence (AI) to operationalize these legal structures, a dimension rarely synthesized within traditional Franco-Lebanese legal analyses.

Research Problem, Questions, and Hypotheses

Despite recent statutory reforms aimed at modernizing corporate legal architectures in Lebanon and France, joint-stock companies continue to face structural vulnerabilities arising from concentrated executive power, voting right imbalances, and functional gaps within internal board committees and statutory audit mandates. The central dilemma resides in evaluating whether current statutory frameworks - specifically Lebanese Law No. 126/2019 and corresponding provisions of the French Commercial Code - effectively insulate corporate entities from administrative fragility and financial distress, and how digital audit tools and AI can bridge these statutory enforcement gaps.

To address this problem, the research examines four fundamental questions: first, the extent to which the legislative bifurcation of executive management from board leadership enhances corporate accountability and liability attribution; second, how contrasting legislative approaches toward double

voting rights and preferred shares impact shareholder equity and corporate governance stability; third, the ways in which specialized board committees and statutory auditors (*commissaires aux comptes*) fortify internal control ecosystems to prevent systemic failures; and fourth, how the integration of Artificial Intelligence and distributed ledger technology can optimize legal compliance and supervisory mechanisms.

In alignment with these research questions, the study tests four core hypotheses. It posits that the structural segregation of the Board Chairmanship and General Manager positions significantly reduces internal conflicts of interest and enhances civil liability precision. Additionally, it hypothesizes that statutory restrictions on weighted voting rights foster shareholder equality while requiring flexible, charter-based adaptations to incentivize long-term equity investments. The study further contends that establishing functionally independent board committees and extending statutory auditor tenures directly mitigate operational risks and institutional collapse. Finally, it advances the hypothesis that deploying AI-driven predictive analytics and smart contracts transforms corporate compliance from a reactive statutory burden into a proactive governance framework.

Significance of the Study

This research holds substantial theoretical and practical value for academic legal scholars, corporate practitioners, legislators, and regulatory policymakers. From a theoretical perspective, it enriches comparative corporate law literature by providing a rigorous Franco-Lebanese legal synthesis, examining the structural evolution of corporate governance following major legislative enactments such as Lebanese Law No. 126/2019 and the French *Loi PACTE*. Practically, it offers actionable legal and organizational insights for corporate boards, executive officers, legal counsel, and statutory auditors seeking to optimize internal oversight, structure compliant voting mechanisms, navigate statutory liabilities, and integrate technology into corporate legal compliance.

Limitations of the Study

In terms of scope and limitations, the study focuses primarily on the legal and regulatory frameworks governing commercial joint-stock companies (*Sociétés Anonymes*) under Lebanese and French corporate law. Substantively, the analysis is restricted to corporate administrative structures including role bifurcation and voting rights, internal oversight bodies such as board committees, statutory auditing regulations, and supporting technological applications. Methodologically, the study relies on a comparative legal-doctrinal approach combined with qualitative case studies including WeWork, Orpea Group, and Wirecard, without incorporating empirical quantitative survey data from corporate market participants.

Key Terms and Definitions

For the purposes of this study, Corporate Governance is defined as the systemic framework of legal rules, regulatory arrangements, and administrative practices by which corporate entities are directed, managed, and controlled to balance stakeholder interests and ensure long-term viability. Executive Bifurcation refers to the structural and legal separation of the role of the Chairman of the Board of Directors from that of the Chief Executive Officer or General Manager. Double Voting Rights denote a weighted voting mechanism attaching two votes to a single equity share, typically granted to long-term shareholders or specific share classes as a statutory or charter-based privilege. Statutory Auditors (*Commissaires aux Comptes*) are independent statutory supervisory officers appointed by the general

assembly tasked with verifying financial statements, evaluating internal controls, and ensuring corporate legal compliance. AI Compliance Infrastructure represents the integration of machine learning algorithms, natural language processing, and blockchain smart contracts to monitor real-time corporate transactions and enforce governance standards automatically.

Methodology and Study Procedures

To systematically address the research problem and validate the stated hypotheses, the study employs a comparative legal-doctrinal methodology and qualitative case analysis, examining statutory enactments, legislative decrees, regulatory circulars, judicial precedents, and corporate insolvencies. The legal-doctrinal approach involves a rigorous textual analysis of the Lebanese Terrestrial Commercial Code as amended by Law No. 126/2019 and the French Commercial Code, alongside comparative legal synthesis to identify legislative divergences and mutual reform trajectories. Furthermore, analytical case studies of major corporate governance failures are utilized to evaluate the empirical effectiveness of internal control architectures and statutory oversight mechanisms.

Structure of the Study

The inquiry is structured into two main analytical sections. Section I investigates the administrative structure and decision-making mechanisms, focusing on the structural feasibility and legal implications of bifurcating corporate executive positions, evaluating statutory approaches to the abolition and retention of double voting rights under Lebanese and French law, and exploring how technological integration and AI enhance administrative oversight and voting equity. Section II examines specialized committees and internal control systems, analyzing the operational roles and legal frameworks of specialized internal board committees, evaluating statutory reforms designed to fortify auditors' oversight (commissaires aux comptes), and detailing the application of advanced legal technologies and AI in elevating internal control architectures.

Section I: Administrative Structure and Decision-Making

Corporations are conventionally conceptualized through stakeholder theory as an amalgam of collaborative and competitive interests (Donaldson & Preston, 1995). These dynamics are directed by hierarchical organs through which corporate governance is exercised, most notably manifesting in a board of directors elected by the general meeting of partners or shareholders (Cass. Civ., 1946). A rigorous examination of this framework reveals that it constitutes the foundational catalyst for the sound implementation of governance standards within the legal entity. Consequently, given the critical nature of this premise, governance mechanisms have evolved beyond mere ethical guidelines into core statutory regimes, which explicitly recognize the imperative necessity of enforcing governance principles through clear legal frameworks.

To begin with, this overarching trend can be deduced by examining the feasibility of separating administrative positions within the firm, as well as evaluating the strategic objectives behind the abolition of double voting rights—analyzing both dimensions through a comparative statutory approach to Lebanese and French law, both of which have undergone pivotal legislative shifts in recent years.

A. Feasibility of Bifurcating Corporate Executive Positions

An overview of contemporary governance systems underscores the paramount importance attached to defining and delimiting administrative roles - a imperative that has increasingly entered the legislative domain to fortify principles of accountability, transparency, and strategic oversight. Within this framework, the segregation of executive functions from supervisory responsibilities has emerged as a compelling structural paradigm. This division fosters balanced, informed, and independent decision-making while mitigating potential conflicts of interest, thereby safeguarding corporate continuity, insulating the enterprise from operational impediments, and driving sustainable growth alongside organizational excellence. Against this backdrop, an inquiry arises regarding the mechanisms adopted by Lebanese and French legislators to effectuate this structural shift.

To underscore the rigor required in corporate governance, Lebanese legislation firmly establishes the liability of directors and board members toward third parties for any acts involving fraud or breaches of statutory and charter provisions (Article 166, 2019), particularly where such actions impair corporate assets—the primary security for creditors and corporate solvency (Eid & Eid, 2009). Furthermore, board members incur liability toward shareholders for managerial errors resulting from maladministration (Article 167, 2019; Tyan et al., 2017). This legal stance aligns with the French Commercial Code, notably Article L. 225-25-1, which explicitly codifies the civil liability of the Chief Executive Officer (CEO) and Board Chairman for statutory violations and management errors, emphasizing their repercussions on third parties (Descorps Declère, 2003). Consequently, authorizing the bifurcation of these two positions enhances precision in attributing legal responsibility for potential infractions.

From a practical perspective, the 2019 legislative reform in Lebanon enabled joint-stock companies to stipulate in their articles of association the separation of the Board Chairmanship from executive management (Article 153, 2019). Under this regime, the board appoints a natural person - who may or may not be a shareholder - as General Manager (Nassif, 2021). The General Manager holds exclusive authority (or shared authority with the Chairman in non-bifurcated structures) to propose the appointment of one or more Assistant General Managers under statutory conditions, subjecting the appointing authority to personal liability (Article 153, 2019). Notably, this amendment introduced ambiguity regarding advisory committees; while it omitted explicit references to such bodies - unlike the former text - it did not prohibit the Chairman from appointing them (Nassif, 2021). The core dilemma resides in the financial consequences, specifically regarding committee compensation and fees, raising legitimate questions concerning the Chairman's authority to authorize such disbursements without explicit statutory guidance—an issue requiring clear legislative resolution to protect corporate assets and prevent governance risks (Nassif, 2021).

Nevertheless, the Lebanese framework has aligned with international governance standards, such as the UK Corporate Governance Code (Financial Reporting Council [FRC], 2018), and the French legal system, which established the optional separation of executive and supervisory roles through the NRE Act (Nouvelles Régulations Économiques) as a cornerstone of sound governance (Abdelmoumen, 2013).

Accordingly, joint-stock companies enjoy structural discretion to select between two organizational models: either combining the roles of Board Chairman and General Manager or separating them into distinct positions with independent powers and obligations (Abdelmoumen, 2013). This structural flexibility enables tailored governance frameworks aligned with strategic objectives, balancing

oversight with operational leadership (Abdelmoumen, 2013). Under the dual-structure model, the Chairman's executive powers are curtailed, refocusing the role on monitoring management, presiding over board meetings, and delivering non-binding recommendations to the General Manager (Abdelmoumen, 2013). Conversely, the General Manager assumes broader operational authority - including corporate representation, routine administration, and board decision execution - without diminishing the board's overarching supervisory mandate (Abdelmoumen, 2013).

In line with governance principles of transparency and neutrality, the Lebanese legislature enabled general assemblies to elect non-shareholder board members (Article 147, 2019; Nassif, 2021) based on rigorous evaluations of professional competence, thereby curbing conflicts of interest (Nassif, 2021). However, this reform coincided with the repeal of guarantee stock requirements (actions de garantie) previously deposited as security against managerial errors (Nassif, 2021) - a decision that arguably warrants reconsidering alternative statutory guarantees to preserve liability protections (Nassif, 2021).

By contrast, French law, under Law No. 2013-504 on Employment Preservation, mandated board representation for employees in large companies headquartered in France employing at least 5,000 workers locally or 10,000 globally (Fadlallah, 2017; French Commercial Code, Art. L. 225-27-1).

Practical applications further substantiate the necessity of separating executive and supervisory powers. For instance, the 2019 WeWork crisis highlighted the risks of concentrating executive authority in a single individual amidst weak board independence and deficient internal controls (Mandato & Devine, 2019). The resulting loss of investor confidence led to the cancellation of its initial public offering (IPO) and forced a governance restructuring aimed at decentralizing power and strengthening board independence (Mandato & Devine, 2019). This case demonstrates that bifurcating executive and oversight roles is not merely an administrative option, but a vital governance mechanism for reinforcing accountability, mitigating conflicts of interest, and ensuring long-term corporate viability (Mandato & Devine, 2019).

Analyzing these dynamics reveals a legislative trajectory aimed at restructuring corporate frameworks to reinforce governance - not only through role segregation, but also by fortifying internal corporate organs (Mandato & Devine, 2019).

B. Abolition of Double Voting Rights

As observed by the American philosopher and economist R. Edward Freeman, contemporary business paradigms have frequently failed to comprehend the corporate environment fully or accommodate the broad spectrum of entities that influence and are affected by corporate operations (Freeman, 2010). Nevertheless, modern frameworks have continually refined key legal concepts to align with corporate governance and economic efficiency, often phasing out procedures deemed incompatible with systemic reform and good governance.

In this context, while voting rights embody shareholder intent and serve as the primary mechanism for active participation in strategic corporate management, it is erroneous to assume that shareholders possess an absolute entitlement to exercise these rights solely in furtherance of their individual interests at the expense of the overarching corporate good (Nassif, 2008). The structural arrangement of voting mechanisms varies based on statutory and organizational considerations, most notably through the mechanism of double voting rights attached to certain share classes - a feature that positive legal orders have addressed through distinct legislative approaches.

In this regard, the French Court of Cassation affirmed that the principle of equal treatment among shareholders does not preclude statutory or charter-based differentiation in rights, provided such distinctions serve the corporate interest (Cass. com., 1961). However, any voting privileges must not disrupt shareholder balance or usurp the sovereign will of the general assembly - a judicial principle that laid the groundwork for statutory and scholarly debates on weighted voting mechanisms (Cass. com., 1961).

In Lebanon, Law No. 126 of 2019 repealed the statutory entitlement to double voting rights previously granted under Article 117 of the Terrestrial Commercial Code for joint-stock companies incorporated post-enactment (Article 31, 2019; Nassif, 2021). However, double voting rights remain operative for fully paid-up shares retained by the same shareholder for at least two consecutive years preceding any general meeting, as well as for shares transferred through inheritance, inter vivos gifts, or testamentary dispositions (Article 31, 2019). Consequently, while grandfathered double voting rights persist for pre-2019 corporate entities, newly established firms are restricted to single voting rights per share (Nassif, 2021).

A comparative assessment reveals divergent legislative philosophies regarding weighted voting. While French corporate law recognizes the fundamental rule of "one share, one vote" under Article L. 225-122 of the Commercial Code, it admits statutory exceptions by permitting double voting rights unless the articles of association expressly provide otherwise (Article L. 225-123, 2020). The Commercial Chamber of the French Court of Cassation reaffirmed that voting rights must be exercised consistently with the corporate objective (*intérêt social*), holding that judicial intervention is warranted where voting privileges are abused to the detriment of the enterprise (Cass. com., 1976). Under Law No. 2014-384 (the *Florange Act*), double voting rights became the default regime for companies listed on regulated markets (Haut Comité Juridique de la Place Financière de Paris [HCJP], 2022). Furthermore, Law No. 2019-486 (the *PACTE Act*) authorized the issuance of preferred shares with multiple voting rights, excluding listed companies and multilateral trading facilities (Article L. 228-11, French Commercial Code).

This comparative analysis highlights contrasting legislative approaches: Lebanese law restricted double voting rights through a temporal distinction based on company incorporation dates (pre- or post-2019), whereas French law conditioned these rights on the nature of the corporate entity and statutory provisions.

Additionally, the Lebanese legislature introduced "preferred shares," granting holders purely financial benefits as defined in the charter or extraordinary general assembly, while excluding them from debates, voting, board membership, and liquidation proceeds - except as provided by applicable law (Shamseddin, 2019). To safeguard this class, statutory provisions permitted preferred shareholders to form a special assembly tasked with tendering advisory opinions to the general meeting through an appointed representative (Shamseddin, 2019). Preferred stock is capped at 30% of total share capital, with restrictions on acquisition by affiliated parties (Shamseddin, 2019). However, unlike the French model, which affords flexibility to grant preferred shareholders single or multiple voting rights where appropriate, Lebanese law entirely disenfranchises preferred stock - a rigid stance that warrants legislative reconsideration to grant shareholders discretionary latitude (Shamseddin, 2019).

Although double voting rights can raise corporate governance concerns - as exemplified by the 2017 AccorHotels controversy regarding potential decision-making capture by foreign long-term

shareholders (Boisseau, 2017; AccorHotels, 2017) - the total abolition of double voting under Lebanese law remains debatable. Rather than an outright statutory bar, a more effective strategy would authorize shareholders to decide upon double voting rights through explicit charter provisions, leveraging weighted voting as an incentive for long-term equity investment while establishing safeguards against control concentration (AccorHotels, 2017).

In parallel with these statutory and structural developments, the integration of advanced technologies and Artificial Intelligence (AI) emerges as a transformative mechanism for operationalizing both the bifurcation of executive functions and the equitable management of voting rights. Within dual-executive structures, algorithmic compliance systems and AI-driven predictive analytics can effectively bridge information asymmetries between the General Manager and the Board Chairman, enabling real-time, unbiased monitoring of executive decisions without encroaching upon operational leadership. By providing automated risk assessments, detecting anomalies in corporate financial reporting, and tracking procedural adherence to charter boundaries, predictive AI tools empower independent board members and advisory committees to exercise substantive, proactive oversight. Concurrently, in the realm of corporate suffrage and weighted voting mechanisms, distributed ledger technologies (such as blockchain) and automated smart contracts offer an immutable, transparent infrastructure to manage complex share structures, verify continuous ownership duration for grandfathered double voting rights, and facilitate secure proxy voting. This technological framework ensures that voting privileges are exercised with total integrity, preventing procedural abuses, safeguarding non-voting preferred shareholders through automated disclosure channels, and aligning internal control operations with international governance standards. Ultimately, embedding digital audit tools and AI governance mechanisms shifts compliance from a reactive legal obligation into a dynamic, proactive safeguards ecosystem, ensuring long-term corporate viability, operational transparency, and systemic resilience.

Section II: Specialized Committees and Internal Control Systems

Transparency and accountability are fundamentally inextricably linked, serving as twin cornerstones for the efficacy of any corporate governance framework (Nassif, 2012). Modern governance embodies a strategic paradigm shift that directly reshapes supervisory functions within the corporate enterprise (Hamdoon Othman, 2017). More explicitly, the underlying philosophy of governance aims to reinforce transparency and standards of accountability by expanding mechanisms of self-regulation and internal control - a measure designed to optimize administrative efficiency while safeguarding the enterprise against structural collapse arising from operational vulnerabilities (Danet, 2008). Consequently, because auditing procedures enhance the reliability and credibility of financial reporting - thereby bolstering investor confidence and generating value across capital markets broadly (Bottomley, 2005) - it becomes imperative to examine the structural role played by internal board committees and oversight bodies (specifically statutory auditors) in supporting and advancing governance standards.

A. Specialized Committees Supporting Corporate Governance Standards

In the dynamic landscape of modern commerce, the strategic formation of specialized internal committees plays a prominent role in upholding sound governance standards, thereby ensuring transparency, accountability, and effective oversight. Consequently, it is impossible to exaggerate the importance of these structural components that reinforce strict adherence to regulatory requirements, mitigate risks, and enhance decision-making processes - ultimately serving the corporation's best interests, elevating its reputation, and securing its long-term sustainability. Accordingly, the following

discussion highlights four essential board committees that can be leveraged to guarantee practical compliance with governance principles as a mechanism to shield corporations from financial distress and structural insolvency, focusing on the Audit Committee, Risk Committee, Governance/Sustainability Committee, and Nomination and Remuneration Committee.

To begin with, we examine the contribution of the Audit Committee to supporting governance plans (Nassif, 2012). This requires first defining the nature of this committee as a specialized body emanating from the Board of Directors, comprised exclusively of non-executive members (Ghali, 2001). Its membership size must reflect a practical balance - neither overly inflated to impede swift decision-making nor too limited to restrict performance - typically consisting of three to five non-executive directors possessing relevant qualifications, adequate operational competence, and financial expertise (Braiotta, 2004). Convening on a regular periodic basis (typically every three months), the committee also retains authority to conduct extraordinary meetings with administrative or supervisory departments whenever necessary (Braiotta, 2004).

Furthermore, the Audit Committee maintains clear structural independence and objective neutrality from executive management, ensuring no direct or indirect ties exist between its members and executive directors, without prejudice to conducting periodic evaluations of the committee's own performance. Crucially, it serves as an indispensable liaison between the Board of Directors and auditors, assisting the former in executing its oversight and control mandates (Central Bank of Lebanon, 2011) regarding audit operations, internal control systems, financial disclosures, and regulatory frameworks (Ali & Shehata, 2014), while simultaneously acting as a supervisory instrument for shareholders to monitor executive administration (Anani, 2017).

The core responsibilities of the Audit Committee encompass auditing financial statements to restore institutional trust in corporate financial data (Turley & Zaman, 2004), verifying the efficacy of internal and external control mechanisms and following up on their results (Ali, 2009), providing neutral technical opinions (Al-Sabban, 2003) and recommendations regarding the nomination and fee determination of external auditors (Sheikhi, 2020), as well as evaluating the effectiveness of risk management plans and adherence to ethical standards and governance arrangements (Ali & Shehata, 2007).

Operating in tandem, the Risk Committee plays a vital role in reinforcing governance principles by formulating strategies to address potential exposure (Salhi & Mayou, 2016). Established as an auxiliary organ to the Board of Directors, it typically comprises at least three independent non-executive directors, alongside the Chief Executive Officer and Chief Financial Officer (with option to engage external advisors when necessary). It supports the board's supervisory role regarding existing or emerging risks facing the entity, submitting standardized periodic reports to the Audit Committee and Board detailing executed tasks, findings, and actionable recommendations for annual disclosures, while reviewing and monitoring the implementation of risk policies to ensure internal frameworks match required risk-appetite thresholds (Taxmann, 2024).

This committee structure assists corporations in navigating complex challenges, securing organizational viability, and achieving strategic objectives. Similarly, the Sustainability or Environmental, Social, and Governance (ESG) Committee supports the Board in drafting and refining strategies that promote sustainable corporate governance, ensuring compliance with ESG parameters

and integrating them into the overarching corporate business plan (Chartered Governance Institute UK & Ireland, 2024).

Additionally, the Nomination and Remuneration Committee, established pursuant to an ordinary general assembly resolution, consists of three to five shareholders or non-executive board members who maintain complete neutrality (Nassif, 2012). Functionally, it formulates personnel and quality management policies alongside employee incentive and compensation schemes, while overseeing board nomination procedures to ensure ongoing compliance with independence standards, prevent conflicts of interest, and align operational personnel with governance rules (Nassif, 2012). Crucially, all employee compensation frameworks must prioritize the long-term corporate interest, strictly insulated from personal favoritism, nepotism, or arbitrary discretion (Cour de cassation, 2015), subject to continuous judicial and administrative oversight (Cour d'appel de Paris, 2008).

Despite these specialized structures, positive legislation has frequently neglected to empower works councils or labor committees to participate meaningfully in shaping corporate investment strategy. Granting labor committees advisory and informational roles would enable them to track production indicators, identify technical bottlenecks, and propose realistic operational strategies, aligning with modern legislative trends that leverage worker oversight for early detection of administrative deficiencies. A prominent example is the United States Sarbanes-Oxley Act of 2002 (SOX), which mandated internal reporting channels - commonly known as whistleblower mechanisms - allowing employees to report financial irregularities or accounting manipulations immediately upon discovery (Zein & Zein, 2019).

In judicial practice, the French Constitutional Council validated statutory whistleblower protections (*lanceurs d'alerte*) under the Sapin II Act, holding that protecting individuals who report serious wrongdoing in good faith serves the public interest and economic transparency, transforming employees from mere execution agents into active partners in internal control (Conseil constitutionnel, 2016). Similarly, the U.S. Supreme Court expanded whistleblower protection under SOX in *Lawson v. FMR LLC* to employees of private contractors serving public companies to encourage early exposure of financial fraud (*Lawson v. FMR LLC*, 2014), while subsequently clarifying in *Digital Realty Trust, Inc. v. Somers* the procedural requirement of reporting to the Securities and Exchange Commission (SEC) to trigger certain protections under the Dodd-Frank Act (*Digital Realty Trust, Inc. v. Somers*, 2018).

Ultimately, practical experience demonstrates that establishing specialized committees as mere organizational formalities is insufficient, as their functional efficacy and integration across the governance ecosystem remain paramount. The *Société Générale / Kerviel* scandal illustrates the limitations of formal internal control structures when functional coordination fails, where breakdowns in communication between the audit committee and risk management led to a catastrophic failure in detecting operational risk exposures in a timely manner (Tribunal correctionnel de Paris, 2010).

Likewise, the bankruptcy examiner's report in the Lehman Brothers insolvency revealed that the audit and risk committees failed to execute effective oversight over complex financial risks due to information bottlenecks, infrequent meetings, and reliance on superficial control frameworks (U.S. Bankruptcy Court for the Southern District of New York, 2010). In conclusion, it is vital to avoid overlapping duties across committees through precise delineations of responsibility, ensuring that internal mandates do not conflict or defeat the core objective behind their creation.

B. Fortifying Auditors' Oversight to Support Corporate Governance Standards

It is self-evident that the primary objective of corporate governance can be summarized as establishing effective control mechanisms over all administrative and financial units within a company (El-Eswai, 2001). Upon reviewing the supervisory ideology adopted across corporate entities, it becomes apparent that it reflects an interconnected web of control rules governing operational structures; while management remains subject to shareholder oversight (Hansmann & Kraakman, 2001), statutory auditors (commissaires aux comptes) complement this oversight framework, fulfilling a vital role in elevating the practical implementation of governance standards.

From a strictly practical perspective, the Lebanese Commercial Code dictates that the ordinary general assembly must appoint one or more statutory auditors from among the shareholders or third parties - strictly excluding board members to prevent potential conflicts of interest - for a renewable term of one year, up to a maximum of five consecutive terms (Nassif, 2020). This one-year tenure reveals both domestic and international legislative inconsistencies. Domestically, it contrasts with the three-year term established by the same Lebanese legislature for limited liability companies, holding companies, and offshore entities; internationally, it diverges from comparative Arab and Western legislative trends, such as the French framework, which permits a statutory tenure of six financial years (Nassif, 2020). Extending the auditor's term prevents the supervisory organ from remaining perpetually subordinate to the board of directors whose activities it is tasked to oversee (Nassif, 2020). Aligning with foreign legal models - or at least adopting the three-year term already recognized in Lebanese legislation for other corporate forms - better fulfills modern corporate governance requirements.

Under Law No. 126/2019, a shareholder or a group of shareholders holding at least 10% of the corporate capital may petition the President of the First Instance Court within the district of the company's head office to appoint an additional statutory auditor selected from the court's official panel of certified accountants (Lebanese Commercial Code, Art. 64). This provision transforms the appointment of an additional statutory auditor from a mandatory requirement into a discretionary option reserved for holders of 10% of corporate capital, aimed at alleviating annual financial burdens on joint-stock companies (Shams Al-Din, 2019). This approach mirrors the French legislative intent under Loi PACTE, which modulates auditor requirements based on corporate size, workforce scale, and balance sheet total to reduce corporate regulatory burdens in accordance with European business law standards (Loi No. 2019-486, 2019). Conversely, the Lebanese legislature made a regulatory oversight by empowering the court to appoint additional auditors from its general accounting experts, whereas the Law Regulating the Profession of Certified Public Accountants in Lebanon mandates that statutory auditors be chosen exclusively from offices registered in the special register of the Syndicate of Certified Public Accountants or its official roster (Nassif, 2020). Although this oversight does not directly impair corporate governance principles, rectifying it ensures that appointed additional auditors fulfill all legal and regulatory conditions.

In a related practical context, statutory frameworks fortify auditor mandates by guaranteeing their right to inspect all corporate financial records, contracts, accounting books, and relevant documents (Nassif, 2020). The board of directors and the general manager are legally obligated to provide statutory auditors with all necessary information at any time or within statutory deadlines, culminating in an auditor report presented to the general assembly, under pain of nullifying any general assembly resolution approving financial statements without such a report (Nassif, 2020). Consequently, statutory auditors hold the authority to monitor corporate operations and correct deviations from statutory rules

or articles of association, encouraging strict adherence to proper corporate conduct in line with modern governance standards (Nassif, 2020).

Furthermore, statutory auditors are empowered to convene the general assembly whenever the board of directors fails to do so, either at their own discretion or upon the request of shareholders representing one-fifth of the corporate capital (Lebanese Commercial Code, Art. 67). This aligns with French corporate law, which expanded auditor duties to verify financial disclosures (Forget, 2015), establishing a permanent mandate to verify accounting values, assets, and records without interfering in management decisions, ensuring strict compliance with applicable regulatory standards (Code de commerce, Art. L. 823-10).

Consequently, statutory supervisory powers granted by law cannot be restricted or undermined by corporate articles of association (Eid & Eid, 1998). However, this broad oversight mandate is balanced by strict ethical standards designed to enforce neutrality and transparency. For example, auditors are prohibited from holding any personal or financial interest in the company or with its shareholders outside their audit mandate, whether through advisory contracts or legal relationships with entity components subject to their audit (Lebanese Commercial Code, Art. 68). Statutory auditors also face potential civil or criminal liability - individually or jointly - for damages suffered by the company, shareholders, or third parties resulting from audit errors or professional negligence, unless they prove non-participation in the wrongful act (Zein, 2020).

In the European context, the 2022 Orpea Group scandal in France highlights the critical importance of external auditing in uncovering governance breakdowns (Le Parisien, 2022). Independent audits conducted by international forensic accounting firms, alongside state regulatory inspections, revealed structural organization failures and improper financial practices, including inflated expenditure claims and unjustified expenses, validating allegations raised in investigative publications (Le Parisien, 2022). These findings prompted official judicial investigations and re-ignited global debate over the independence and efficacy of statutory auditors (commissaires aux comptes) in safeguarding public funds and corporate integrity (Le Parisien, 2022).

Similarly, the Wirecard collapse in Germany demonstrates that statutory oversight relies heavily on functional independence and proactive risk detection (BaFin, 2020; German Bundestag, 2021). Investigations revealed that Wirecard's financial statements misstated its financial position over multiple years due to external audit failures and undetected accounting manipulations, despite oversight by major international audit firms (BaFin, 2020; German Bundestag, 2021). The resulting insolvency prompted regulatory reforms across Europe to strengthen auditor independence and proactive supervisory mechanisms (BaFin, 2020; German Bundestag, 2021). Ultimately, proactive oversight policies, strict enforcement of standards, and strategic flexibility remain essential to shield corporate entities from administrative and financial fragility that led to institutional collapse.

To operationalize the oversight functions of both specialized board committees and statutory auditors, the integration of advanced artificial intelligence (AI) and automated monitoring tools serves as an indispensable catalyst. Within specialized internal committees - such as Audit and Risk - predictive algorithms and natural language processing (NLP) models can analyze vast volumes of unstructured transactional data in real time, detecting accounting anomalies, potential fraud, and emerging compliance risks long before they escalate into structural vulnerabilities. Concurrently, for statutory auditors (commissaires aux comptes), AI-driven auditing protocols transform sample-based inspections

into continuous, comprehensive verification procedures without breaching audit boundaries or interfering in executive management. Furthermore, automated reporting systems eliminate information bottlenecks between the board, committees, and external audit bodies, ensuring transparent communication and limiting administrative discretion. By deploying smart contracts and immutable ledger frameworks for audit trails, financial disclosures become verifiable and immune to retrospective alteration. Ultimately, incorporating modern legal technology and artificial intelligence converts internal control from a periodic, reactive obligation into an agile, proactive governance architecture, safeguarding corporate assets, bolstering market trust, and ensuring institutional resilience.

Conclusion

Corporate governance is no longer a peripheral regulatory option or a passive compliance checklist; it stands as the structural bedrock determining corporate resilience, institutional longevity, and systemic trust within contemporary market economies. By examining the legislative evolution of Lebanese Law No. 126/2019 alongside the French Commercial Code (Loi PACTE and Loi Florange), this study has demonstrated that procedural formalisms are insufficient to prevent governance collapse in the absence of functionally independent oversight mechanisms and balanced administrative architectures. The comparative legal inquiry confirms that transitioning from traditional corporate governance to a dynamic, tech-enabled oversight framework requires a fundamental realignment of executive powers, shareholder voting rights, statutory auditing mandates, and internal board committee operations.

A. Findings

1. The statutory bifurcation between the Chairman of the Board of Directors and the General Manager (Chief Executive Officer) under Article 153 of the Lebanese Commercial Code - aligning with the French dualist administrative model - significantly enhances corporate accountability. This separation resolves longstanding conflicts of interest inherent in monolithic executive leadership, establishing a clear line of demarcation between strategic supervisory oversight and operational management, thereby optimizing the precise legal attribution of civil and criminal liability to corporate officers.
2. A critical legislative divergence emerges regarding weighted voting mechanisms. While the Lebanese Law No. 126/2019 largely abolished double voting rights under Article 31 to enforce absolute shareholder equality, the French statutory regime (under the Loi Florange) strategically retains double voting rights for long-term loyal shareholders to curb short-term speculative activism. The blanket prohibition under Lebanese law creates an unintended rigidity that disincentivizes long-term institutional equity investments, emphasizing the need for flexible, charter-based statutory exceptions.
3. Internal control structures - specifically specialized board committees (Audit, Risk, ESG) and statutory auditors (commissaires aux comptes) - remain functionally vulnerable to executive influence when statutory independence guarantees are lacking. The comparative legal analysis reveals that while French corporate law enforces strict rotation rules, expanded audit mandates, and formal whistleblowing mechanisms, the Lebanese legal framework requires further legislative reinforcement to ensure statutory auditors possess total operational autonomy and continuous legal protection when reporting systemic irregularities.

A. Recommendations

1. The Lebanese legislature should amend Article 31 of the Commercial Code to introduce a targeted, conditional double voting right regime modeled after the French Loi Florange. This statutory amendment should allow joint-stock companies (Sociétés Anonymes) to grant double voting rights via explicit charter provisions to registered shareholders who hold fully paid-up shares continuously for a minimum of two years, thereby fostering long-term capital retention while safeguarding minority shareholder protections through mandatory disclosure thresholds.
2. National regulatory authorities (such as the Lebanese Ministry of Economy and Trade and the Capital Markets Authority) should promulgate mandatory binding corporate governance codes requiring all public and large-scale joint-stock entities to establish independent Audit and Risk Committees. The legal framework must stipulate that at least fifty percent of committee members be independent non-executive directors, grant these committees direct statutory authorization to access internal financial records, and mandate independent third-party evaluations of executive compensation packages.
3. Corporate laws in emerging markets should adopt strict statutory audit rotation cycles, capping the tenure of statutory auditors (commissaires aux comptes) at a maximum of six consecutive financial years, alongside a compulsory three-year cooling-off period before re-appointment. Furthermore, legislative frameworks must grant statutory auditors explicit legal immunity from civil breach-of-confidentiality claims when reporting material financial frauds or statutory violations to supervisory authorities in good faith.

As corporate environments undergo digital transformation, future governance structures will increasingly rely on the integration of Artificial Intelligence (AI) and Distributed Ledger Technology (DLT) within internal control architectures. Future legal scholarship must explore the regulatory and liability implications of deploying autonomous predictive compliance algorithms and self-executing smart contracts for real-time audit trail verifications, algorithmic board decision-making, and decentralized voting mechanisms. Investigating how emerging legal frameworks can balance algorithmic decision-making with human managerial accountability represents the next critical frontier in comparative corporate law.

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