
 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الاوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
	Approval Authority	Date Approved	Date of previous approval
	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>



**BAHRAIN
MIDDLE EAST
BANK**
 بنك البحرين والشرق الاوسط

Bahrain Middle East Bank B.S.C.
 Charter of the Nomination, Remuneration, and Corporate Governance
 Committee of the Board

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NOMINATION, REMUNERATION, AND CORPORATE GOVERNANCE COMMITTEE AND ITS PURPOSE

Central Bank of Bahrain ("CBB") guidelines mandates the Bank's Board of Directors ("the Board" or "Board") to create specialized committees, as and when needed, to assist the Board in discharging its role and responsibilities efficiently and effectively.

During 2019, the Bank decided to form a "Nomination, Remuneration, and Corporate Governance Committee" ("NRCG") by combining the duties of "Nominations Committee", "Remuneration Committee" and the "Corporate Governance Committee".

NRCG Purpose and Mission

1. Identify persons qualified to become members of the Board or Senior Management of the Bank as considered appropriate by the Board. This includes all persons designated as "Approved Persons" and "Material risk-takers" as defined by the CBB, with the exception of the appointment of the Head of Internal Audit, Risk Manager and Compliance Officer which shall be the responsibility of the Audit & Risk Committee ("ARC").
2. Make recommendations to the Board including recommendations of candidates for Board membership which is to be included on the agenda of the Annual Shareholder Meeting.
3. Review the Bank's remuneration policies for Approved Persons and material risk-takers, which must be approved by the shareholders and be consistent with the CBB Sound Remuneration Guidelines, corporate values and the strategy of the Bank.
4. Make recommendations regarding remuneration policies and amounts for Approved Persons to the Board, taking account of total remuneration including salaries, fees, expenses and employee benefits.
5. Recommend to the Board and oversee the implementation of appropriate personnel or Human Resource policies.
6. Recommend Board member remuneration based on their attendance and performance, in compliance with Article 188 of the Commercial Companies Law.
7. Oversee Approved Persons' fulfillment of continuous professional development ("CPD") objectives including overseeing Directors' corporate governance educational activities.
8. Develop succession plans for Board members and Senior Management.
9. Assist the Board in discharging its corporate governance related oversight duties and responsibilities.

 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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NRCG's COMPOSITION, SELECTION AND TERM

Composition

- NRCG shall consist of at least three (3) members.
- NRCG shall comprise of only Independent Directors or alternatively only Non-Executive Directors (majority of whom must be Independent Directors). The Chairman must also be an Independent Director. No NRCG member may be a member of a risk-taking committee (such as ARC) or a business function.
- The Board shall appoint and remove members of the Committee. Appointments to the Committee shall be for a period that corresponds with the duration of the appointment of the members of the Board of Directors.
- NRCG shall elect one of its members as its Chairman and elect one of its members as a Vice-Chairman. In the absence of the Chairman, the Vice Chairman shall chair the meeting.

Term

NRCG members are elected for a term of three (3) years with no limitations on further renewals.


NRCG MEETINGS AND DECISION-MAKING PROCESS

NRCG Meetings

- NRCG shall meet at least two (2) times per financial year or as and when needed and/or called by the Chairman of the NRCG.
- NRCG shall meet, as needed, to enable it to discharge its roles and responsibilities effectively. Additionally, the Committee will meet as required for important events and decision-making.
- NRCG meetings may be scheduled in conjunction with regularly scheduled Board meetings.
- NRCG may invite non-member Directors or non-directors to participate in the meetings to benefit from their expertise and advice on various matters dealt with by the Committee, but not for voting purposes. The NRCG shall be permitted to require any members of the Bank's Senior Management, or third parties, to attend meetings on a temporary or permanent basis, as shall be required to assist the NRCG in the discharge of its responsibilities.
- The meetings will be convened upon the summons of the Chairman of the Committee.

Quorum

- Quorum shall consist of at least two thirds ($\frac{2}{3}$) of the members, one of whom must be a regularly elected Chairman or Vice-Chairman.
- NRCG members may convene a meeting through a conference call or a video-conference or other means as decided by the Chairman of the Committee.

 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>

- A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee as specifically delegated by the Board.

Voting and decision

- All NRCG decisions shall be considered by a vote of the majority of the attending members.
- In case of equality of votes, the Chairman (or Vice-Chairman in his absence) of the Committee shall have the casting vote.
- Decisions of the Committee may be made through circulation. In all such cases the Secretary of the Committee shall ensure and confirm circulation of necessary information and documentation.
- Voting by proxies is prohibited.


NRCG Meeting Agenda and Members' Participation

- Chairman of NRCG shall be responsible for setting the agenda for the meetings.
- Chairman shall ensure that all members receive the same agenda, minutes of prior meetings and adequate background information in writing before each NRCG meeting.
- Before the meeting the Chairman shall determine from members regarding any career conflicts of interest or any matter which affect exercising of their free judgment.
- Whenever a member has serious concerns on a proposed action, he or she should ensure that the concerns are recorded in the minutes and any disagreement with Board's action is noted or delivered in writing.

Minutes of Meetings and Notification of Decisions to Board

- NRCG shall maintain minutes of all its meetings and activities and make them available to the Board at the next regularly scheduled meeting of the Board.
- The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and names of absentees.
- The Chairman shall determine, at the beginning of each meeting, the existence of any conflicts of interest and ask the Secretary to minute them accordingly.
- Minutes of Committee meetings shall be circulated promptly to all members of the Committee.
- Where decisions are made through circulation, details will be included in the minutes of the Committee meeting immediately following the decision.

Any serious concerns or disagreement shall be recorded in the minutes.

 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>

Secretary

The Secretary to the Board of Directors shall act as the Secretary of the Committee. The Secretary of the Committee shall assist the Chairman by performing the following responsibilities:

- a. Prepare and issue the meeting invitation, agenda and its contents as approved by the Chairman.
- b. Prepare and submit the approval of minutes of each meeting held by the Committee.
- c. Assist the Committee in performing all its duties and to maintain its records.


NRCG DUTIES AND RESPONSIBILITIES

General

- a) In discharging its duties and responsibilities, the NRCG and its members shall exercise judgments free from personal career conflicts of interest.
- b) NRCG shall be responsible for retaining and overseeing outside consultants or firms for the purpose of determining Approved Persons' and material risk-takers' remuneration, administering remuneration plans, or related matters.
- c) The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- d) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its scope where action or improvement is needed.
- e) NRCG shall report to the Board any proposed modifications to NRCG's terms of reference.
- f) NRCG shall provide to the Board, when appropriate, any reports necessary to allow the Board to monitor the activities of the Bank.
- g) The controllers and other shareholders should be aware of controller- specific responsibilities regarding their duty of loyalty and conflicts of interest and also of rights that minority shareholders may have to elect specific directors under the Commercial Companies Law if the Bank has adopted cumulative voting for Directors. The Chairman of the Board should take the lead in explaining this with the help of the Bank's lawyers.

Duties and Responsibilities with Respect to Corporate Governance

- Oversee and monitor the implementation of the Corporate Governance framework.
- Periodically review and assess the adequacy of the Corporate Governance Framework and recommend any proposed changes to the Board for approval.
- Provide the Board of Directors with reports and recommendations based on its findings in the exercise of its functions.
- The Committee shall ensure that the Bank publishes the Corporate Governance framework on its website.
- At each Annual Shareholders' Meeting the Board shall report on the Bank's compliance with its Corporate Governance guidelines and CBB's High-level Controls ("HC") module and explain the


 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>

extent, if any, to which it has varied them or believes that any variance or non-compliance was justified.

- At each Annual Shareholder Meeting the Board must also report on further items listed in Module Public Disclosure (“PD”) of the CBB Rulebook. Such information should be maintained on the website or held at the Bank’s premises on behalf of the shareholders.
- Assess the Corporate Governance framework and adequacy of the guidelines periodically and recommend any changes deemed appropriate to the Board.
- Review the organisational structure and ensure that it notes the designations and responsibilities of Key Management personnel, highlighting their qualifications and relevant industry experience. The organisational structure should be clearly outlined and reporting lines completely transparent to promote full disclosure.
- NRCG in co-ordination with the Compliance function shall ensure that the Bank complies with all governance related disclosure requirements of the CBB rulebook, as given in section HC module of the CBB rulebook Volume 1.
- NRCG in co-ordination with the Financial Control Department and Compliance functions shall also ensure that all disclosure requirements detailed in the Public Disclosure module of the CBB rulebook are complied with by the Bank.

Duties and Responsibilities with Respect to Board and Committee Memberships

- 1 Ensure that procedures for appointment, training and evaluation of the Board are rigorous and transparent.
- 2 Assess the role and responsibilities of a Board member, the knowledge, experience and competence which the role requires.
- 3 Whenever a vacancy arises (including a vacancy resulting from an increase in board size), the Committee shall recommend to the Board a person to fill the vacancy either through appointment by the Board or through shareholder election.
- 4 Identify persons qualified to fill positions in “Controlled Functions” that would be designated as “Approved Persons”, which includes members of the Board of directors, CEO and his deputies, such as Chief Financial Officer, Chief Operating Officer, Corporate Secretary and any equivalent or other Senior Management positions that the Board determines are subject to its approval. The exceptions are the appointments of the Head of Internal Audit, Risk Manager and Head of Compliance which is the responsibility of the Audit and Risk Committee.
- 5 Identify Board members qualified to fill vacancies on any committee of the Board and recommend to the Board the appointment of the identified person(s) to such committee.
- 6 Provide reports and recommendations to the Board from time to time as to changes it believes to be desirable to the size of the Board or any Committees of the Board.
- 7 Respect the interest of minority shareholders in Directors’ nomination.
- 8 In performing the responsibilities of identifying suitable candidates, the Committee shall consider any criteria approved by the Board and such other factors as it deems appropriate. These may include judgement, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other Board members, and other factors. These must include a


 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>

review of whether a candidate is related to an Approved Person and includes a consideration whether the candidate is qualified and that there are no conflicts of interest.

- 9 The Committee shall also consider all candidates for Board membership recommended by the shareholders and any candidates proposed by Senior Management.
- 10 Regularly review the time commitment required from each Non-Executive Director.
- 11 Obtain written declarations on annual basis from all Directors and Senior Management regarding all of their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation).
- 12 Prepare summary of nomination of Director (to be given to the Board for submission to shareholders for election or re-election of a Director) with the following specific information:
 - a) The term to be served, which may not exceed three years (with no limit on re-election for further terms);
 - b) Biographical details and professional qualifications;
 - c) In case of an Independent Director, a statement the Board has determined that the applicable rules and criteria of independent director have been met;
 - d) Any other directorships held;
 - e) Particulars of other positions which involve significant time commitments; and
 - f) Details of relationships between:
 - (i) The candidate and the Bank; and
 - (ii) The candidate and other Approved Persons of the Bank.

Duties and Responsibilities with Respect to Senior Management

1. Approve hiring and termination of senior managers above the rank of Senior Vice President and all Approved Persons (except for the Head of Internal Audit, Risk Manager and Compliance Officer).
2. Advise the Board (in consultation with CEO) in issuing formal letters of appointment prescribing each senior manager's title, authorities, duties, accountabilities and internal reporting responsibilities.
3. Evaluate each of the Approved Persons' performance and competence in light of the Bank's corporate goals, agreed strategy, objectives and business plans and may consider the Bank's performance and shareholder return relative to comparable peer banks.
4. Design and put in place plans for orderly succession and replacement of officers and Senior Management, including replacement in the event of an emergency or other unforeseeable vacancy, and ensuring appropriate resources are available and minimizing reliance on key individuals.
5. Make recommendations to the Board from time to time as to changes the Committee believes to be desirable in the structure and job descriptions of the senior managers, including the CEO, and prepare terms of reference for each vacancy stating the job responsibilities, qualifications needed


 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>

and other relevant matters including integrity, technical and managerial competence, and experience.

6. In performing the responsibilities of identifying suitable candidates, the Committee shall consider any criteria approved by the Board and such other factors as it deems appropriate. These may include judgement, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other Board members, and other factors. These must include a review of whether a candidate is related to an Approved Person and includes a consideration whether the candidate is qualified and that there are no conflicts of interest.
7. On an annual basis, the NRCG will request the CEO to disclose any instances where relatives of the Bank's Approved Persons are occupying control functions (as defined by the CBB). These disclosures will be reviewed and the NRCG's findings in that respect would be reported to the Board. Employing relatives would be with consideration to the applicants' qualifications and merits and is subject to approval by the NRCG, with the condition that conflicts of interest (if any) be fully disclosed and accepted by the Committee.
8. Make specific recommendations to the Board on the Remuneration policy as well as individual remuneration packages for the CEO, material risk-takers and Approved Persons which must be in compliance with the Shareholders' approved Remuneration Policy and Incentive Plans respectively.
9. Obtain written declarations on an annual basis from all Senior Management of all their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation).

Duties and Responsibilities with Respect to Remuneration

1. The NRCG on behalf of the Board actively oversees the remuneration system's design and operation for Approved Persons as well as for material risk-takers in line with the approved Remuneration Policy. The CEO and Senior Management must not primarily control the remuneration system.
2. Recommend to the Board:
 - i. An appropriate remuneration policy designed to reduce employees' incentives to take excessive and undue risk, which must be approved by the shareholders; and
 - ii. A fair and internally transparent remuneration system, which includes relevant performance measures and effective controls.
3. Ensure on an annual basis that the Remuneration Policy and its implementation:
 - i. Are in full compliance with CBB requirements;
 - ii. Are consistent with the Bank's strategy, culture, long-term business objectives, risk appetite, performance and control environment; and
 - iii. Are creating the desired incentives for managing risk, capital and liquidity.
4. Work closely with the ARC in evaluating the incentives created by the Remuneration system. The ARC must, without prejudice to the tasks of the Remuneration Committee, examine whether incentives provided by the remuneration system take into consideration the risk, capital, liquidity and the likelihood and timing of earnings.
5. Approve the remuneration package and amounts for each Approved Person and material risk-taker, as well as the total variable remuneration to be distributed based on the results of the performance evaluation system and taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits. NRCG must ensure that the same are consistent with the

 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
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	<i>Board of Directors</i>	<i>02/06/2024</i>	<i>23 October 2017</i>

Central Bank's guidelines on Sound Remuneration Practices, BMB's corporate values and strategy of the Bank.

6. Question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payout (when applicable).
7. Perform all the duties set out in the shareholder approved Remuneration Policy and report a summary of their actions to the Board. This includes but is not limited to:
 - a. Approve the remuneration amounts for each member of Executive Management.
 - b. Approve the total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
 - c. Approve, monitor and review the remuneration system in the Bank particularly with regard to the effectiveness of the controls and its continued suitability.
 - d. Recommend Board member remuneration based on attendance and performance and in compliance with the Commercial Companies Law.
 - e. Apply deferral, clawback and/or malus to remuneration declared where necessary. A "malus" is a feature of a remuneration arrangement that reduces or cancels the amount of a deferred bonus, so that the amount of the pay-out is less than the amount of the original bonus award.
 - f. Approve all rewards specified under the Executive Share Incentive Plan ("ESIP").

Under these criteria, shares shall be held, and options shall be exercisable only two years after the award date and after achievement of the results based on which such incentives are awarded. All schemes of performance-based incentives shall be approved by the shareholders. However, this approval shall be granted only for the scheme itself, not for the incentives awarded to specific individuals under the scheme.

NRCG Resources, Authority and Access


- NRCG shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate and approve the fees of outside legal, consulting or search firms utilized to identify candidates and evaluate the compensation of Directors, the CEO or other Approved Persons, without seeking the approval of the Board or Senior Management. The Bank shall provide appropriate funding for the compensation of any such persons.
- NRCG will have unrestricted access to all members of Management, staff and records relevant to their performance.
- NRCG shall have the authority to establish or maintain sub-committees as necessary or appropriate, which shall report to NRCG.

Performance Evaluation

On an annual basis, the Board shall conduct an evaluation of its performance and the performance of each Committee and each individual Director.

The evaluation process shall include:

- Assessing how the Board operates.
- Evaluating the performance of each Committee considering its specific purposes and responsibilities, which shall include review of the self-evaluations undertaken by each Committee.

 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>Nomination, Remuneration, and Corporate Governance Committee Charter</i>		
	Approval Authority	Date Approved	Date of previous approval
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- Reviewing each Director's work, his attendance at Board and Committee meetings, and his constructive involvement in discussions and decision-making.
- Reviewing the Board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the Board.
- Recommendations for new Directors to replace long-standing members or those members whose contribution to the Bank or its Committees is not adequate.

NRCG is responsible for reviewing the evaluations as described above and making recommendations to the Board of any improvements deemed necessary or desirable. The Secretary will assist in coordinating the collection and summary of the self-evaluation reports. Where appropriate, the NRCG should seek the assistance of external experts.

NRCG shall be responsible for proposing the remuneration of Directors and members of the Committees.

The NRCG will assist the Board in preparing a report to the shareholders on the results and findings of the evaluation at each Annual Shareholder Meeting.

In addition to the above responsibilities, the NRCG shall obtain feedback on performance evaluation of the Risk Manager, Head of Internal Audit and the Head of Compliance from the Audit & Risk Committee.

Disclosure

- Activities and membership of NRCG may be disclosed on the Bank's website or annual report as decided by the Board. However, members of the NRCG and other persons who attend the NRCG must keep the information in strict confidence including all the documents they receive, the contents of deliberations and all confidential information that is disclosed to them in the course of their work on the NRCG.
- The Board shall oversee the process of disclosure and communications with internal and external stakeholders. The Board shall ensure that disclosures made by the Bank are fair, transparent, comprehensive and timely and reflect the character of the Bank and the nature, complexity and risks inherent in the Bank's business activities. Disclosure policies shall be reviewed for compliance with the Central Bank's disclosure requirements.
- NRCG shall ensure that all disclosure requirements detailed in the Public Disclosure module of the CBB rulebook are complied with by the Bank.