



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

NOMINATION AND REMUNERATION 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.

Subject to prior approval of CBB, some committees may be combined provided that no conflict of interest might arise between the duties of such committees. The bank has decided to form a "Nomination and Remuneration Committee" ("NRC") combining the duties of "Nominations Committee" and "Remuneration Committee".

The board has decided to form an "NRC" with the main purposes of:

1. Identify persons qualified to become members of the board or senior managers of the bank 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 internal auditor which shall be the responsibility of the Audit Committee.
2. Make recommendations to the board including recommendations of candidates for board membership to be included on the agenda of annual shareholder meeting
3. Review the bank's remuneration policies for approved persons and material risk-takers, which must be approved by the shareholders 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 board member remuneration based on their attendance and performance
6. Oversee Approved Persons' fulfillment of continuous professional development ("CPD") objectives including overseeing directors' corporate governance educational activities; and
7. Develop succession plans for Board members and senior management.

NRC COMPOSITION, SELECTION AND TERM

Composition

NRC shall comprise of three (3) members

NRC shall comprise of only Independent directors or alternatively only Non-Executive directors (majority of whom must be Independent directors). No NRC member may be a member of a risk taking committee (such as EXCO) or function.

NRC shall have Chairman and Vice-Chairman.

Selection of members

NRC members are selected by the board.

NRC shall elect one of its members as its Chairman.

Chairman & Vice-Chairman must be Independent directors.

Term

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

NRC MEETINGS AND DECISION MAKING PROCESS

NRC meetings

NRC shall meet at least two (2) times per financial year or as and when needed and/or called by the Chairman of the NRC. NRC shall meet, as needed, to enable it to discharge its roles and responsibilities effectively

NRC meetings may be scheduled in conjunction with regularly scheduled board meetings (or other committee which will be responsible for the functions of NRC)

NRC meetings may be conducted in person or through telephone or videoconference.

NRC may invite non-member directors or non-directors to participate in the meetings, but not to vote, to benefit from their expertise and advice on various matters dealt with by the committee. The NRC shall be permitted to require any members of the Bank's management or third parties, to attend meetings on a temporary or permanent basis, as shall be required to assist the NRC in discharge of its responsibilities.

Quorum

Quorum shall consist of two (2) members, one of whom must be a regularly elected Chairman or Vice-Chairman.

Voting and decision

All NRC decisions are made by simple majority of the members present.

In case of a tie vote, the Chairman (or Vice-Chairman in his absence) will have a casting vote.

Voting by proxies is prohibited at all times.

NRC meeting agenda and members' participation

Chairman of NRC shall be responsible for setting agenda for NRC meetings.

Chairman shall ensure that all members receive same agenda, minutes of prior meetings and adequate background information in writing before each NRC meeting.

Chairman shall ascertain, before the meeting, from members of any career conflicts of interest or any matter which affect exercises of their free judgment

Whenever a member has serious concerns on proposed action, he or she should ensure that the concerns are recorded in the minutes and any dissent from board's action is noted or delivered in writing.

Secretary to the board, or such other person as nominated by NRC, shall act secretary to NRC. Secretary's responsibilities include a) preparation of agenda approved by Chairman and circulation of agenda and

meeting package to its members b) prepare and seek approval of minutes of meetings and c) assist the committee in performing all its duties and maintain the NRC records.

Minutes of meetings and notification of decisions to board

NRC shall maintain minutes of all its meetings and activities make them available to the board at the next regularly scheduled meeting of the board.

At each regularly scheduled meeting of the board, the Chairman of NRC shall report to the board on all meetings, recommendations and decisions made.

NRC DUTIES, RESPONSIBILITIES AND WORKING

General

- a) In discharging its duties and responsibilities, the NRC and its members shall exercise judgments free from personal career conflicts of interest.
- b) NRC shall be responsible for retaining and overseeing outside consultants or firms for the purpose of determining approved persons' and material risk taker's remuneration, administering remuneration plans, or related matters.
- c) NRC shall report material information generated pursuant to its activities to the Board on a regular basis and, where appropriate, its recommendations for action by the Board.
- d) NRC shall report to the Board any proposed modifications to NRC's terms of reference.
- e) NRC shall provide to the Board, when appropriate, any reports necessary to allow the Board to monitor the activities of the Bank.
- f) 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 Company 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.

NRC's 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 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
- 3 Identify persons qualified to become members of the Board or CEO, CFO, Corporate Secretary and any other officers of the Bank considered appropriate by the Board, with the exception of the appointment of the internal auditor which is the responsibility of the audit committee
- 4 Identify board members qualified to fill vacancies on any committee of the board and recommend to the board that such person appoint the identified person(s) to such committee
- 5 Make 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.

- 6 Respect the interest of minority shareholders in directors' nomination.
- 7 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 judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other board members, and other factors.
- 8 The committee shall also consider all candidates for board membership recommended by the shareholders and any candidates proposed by management.
- 9 Regularly review the time commitment required from each Non-executive director (requiring each Non-executive director to inform NRC before he accepts any board appointments to another company).
- 10 Obtain written declarations on annual basis from all directors and senior management 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)
- 11 Prepare summary of nomination of director (to be given to the board for submission to shareholders for election or reelection of a director) with following specific information:
 - a) The term to be served, which initially may not exceed three years (with no limit on further terms);
 - b) Biographical details and professional qualifications;
 - c) In case of an independent director, a statement of that 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 directors of the bank.

NRC's duties and responsibilities with respect to senior management

1. Approve hiring and termination of senior managers above the rank of Senior Vice President.
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 the CEO's and senior management's performance 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. Oversee succession planning and replacing key executives when necessary, and ensuring appropriate resources are available and minimize 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 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 judgment, 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 NRC 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 NRC'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 NRC, 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, both remuneration policy and individual remuneration packages for the CEO, material risk takers and approved persons. The value of awards to CEOs shall be comparable to peer banks and also awards to the CEO in past years, which must be in line with the bank's remuneration policies.
9. Obtain written declarations on annual basis from all senior management 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)

NRC's duties and responsibilities with respect to remuneration

1. The NRC on behalf of the board actively oversees the remuneration system's design and operation for approved persons as well as for material risk takers. The CEO and senior management must not primarily control the remuneration system.
2. Recommend remuneration of directors and senior management
3. Review and approve Bank's remuneration policies for approved persons and ensure that the same are consistent with the Central Bank's guidelines on Sound Remuneration Practices, BMB's corporate values and strategy of the Bank. The committee must ensure that these policies are presented to and approved by the shareholders.
4. 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. Approves the remuneration amounts for each member of Executive Management
 - b. Approves the total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits
 - c. Approves monitors and reviews the remuneration system in the Bank particularly in regards to the effectiveness of the controls and its continued suitability.
 - d. Recommends Board member remuneration based on attendance and performance
 - e. Applies clawback and/or malus to remuneration declared where necessary
 - f. Approves all rewards specified under the Executive Share Incentive Plan ("ESIP")

NRC resources, authority and access

NRC 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 used to identify candidates or evaluate the compensation of directors, the CEO or other approved persons, without seeking the approval of the board or management.

The bank shall provide appropriate funding for the compensation of any such persons.

NRC will have unrestricted access to all members of management, bank staff and records relevant to their performance.

NRC shall have the authority to establish or maintain sub-committees as necessary or appropriate, which shall report to NRC.

Performance evaluation

NRC shall prepare its annual self-performance evaluation report and review with the board, which shall compare its performance with its roles and responsibilities. The report may be in the form of an oral report made at any regularly scheduled board meeting.

Disclosure

Activities and membership of NRC may be disclosed in bank's web site or annual report as decided by the board. However, members of the NRC and other persons who attend the NRC must keep the information in strict confidence including all the documents they receive, the contents of deliberations and all confidential information that are disclosed to them in the course of their work on the NRC.