| Table of Contents | | |
|---|---|---|
| 1. | GOVERNANCE FRAMEWORK | 2 |
| 2. | BANK GOVERNANCE STRUCTURE | 2 |
| 3. | BOARD OF DIRECTORS | 3 |
| 3.1. | Audit Committee | 3 |
| 3.2. | Risk Committee | 3 |
| 3.3. | Corporate Governance Committee | 4 |
| 3.4. | Nomination & Remuneration Committee | 4 |
| 3.5. | Anti-Money Laundering / Combatting Terrorism Financing Committee | 4 |
| 4. | CORPORATE VALUES | 5 |
| 5. | RISK MANAGEMENT AND INTERNAL CONTROL | 6 |
| 5.1. | Risk Management and Compliance | 6 |
| 5.2. | Internal Audit | 6 |
| 5.3. | Control environment | 6 |
| 6. | REMUNERATION GOVERNANCE | 7 |
| 7. | DISCLOSURE AND TRANSPARENCY | 7 |
| 8. | SUCCESSION PLAN | 7 |
| 9. | ASSESS PERFORMANCE | 8 |
| 9.1. | Board Effectiveness Review | 8 |
| 9.2. | The Board and Executive Management | 8 |
| 9.3. | Performance evaluation of the GM | 8 |
| 9.4. | Board Oversight towards the Executive Management | 8 |

## 1. GOVERNANCE FRAMEWORK

**The approach adopted by the bank to implement Corporate Governance principles**

The Board gives great importance on implementing the corporate governance framework at the Bank. This is reflected through reporting packs and procedures which are applied by the Bank based on the philosophy and principles of the Group, as a corporate culture and principles of work, and not only as supervisory instructions and legislative regulations.

**The key principles are used in the development of the governance framework so that corporate governance:**

Is not just about regulations and legislations, it is about doing what is right for the stakeholders.

Is broader than Boards and Committees; it extends throughout the organization, and includes elements of internal controls, ethics, various risk functions, policies and procedures, compliance, internal audit, and external audit.

Requires transparency of disclosure, effective communication, and proper measurement and accountability as essential elements for good governance.

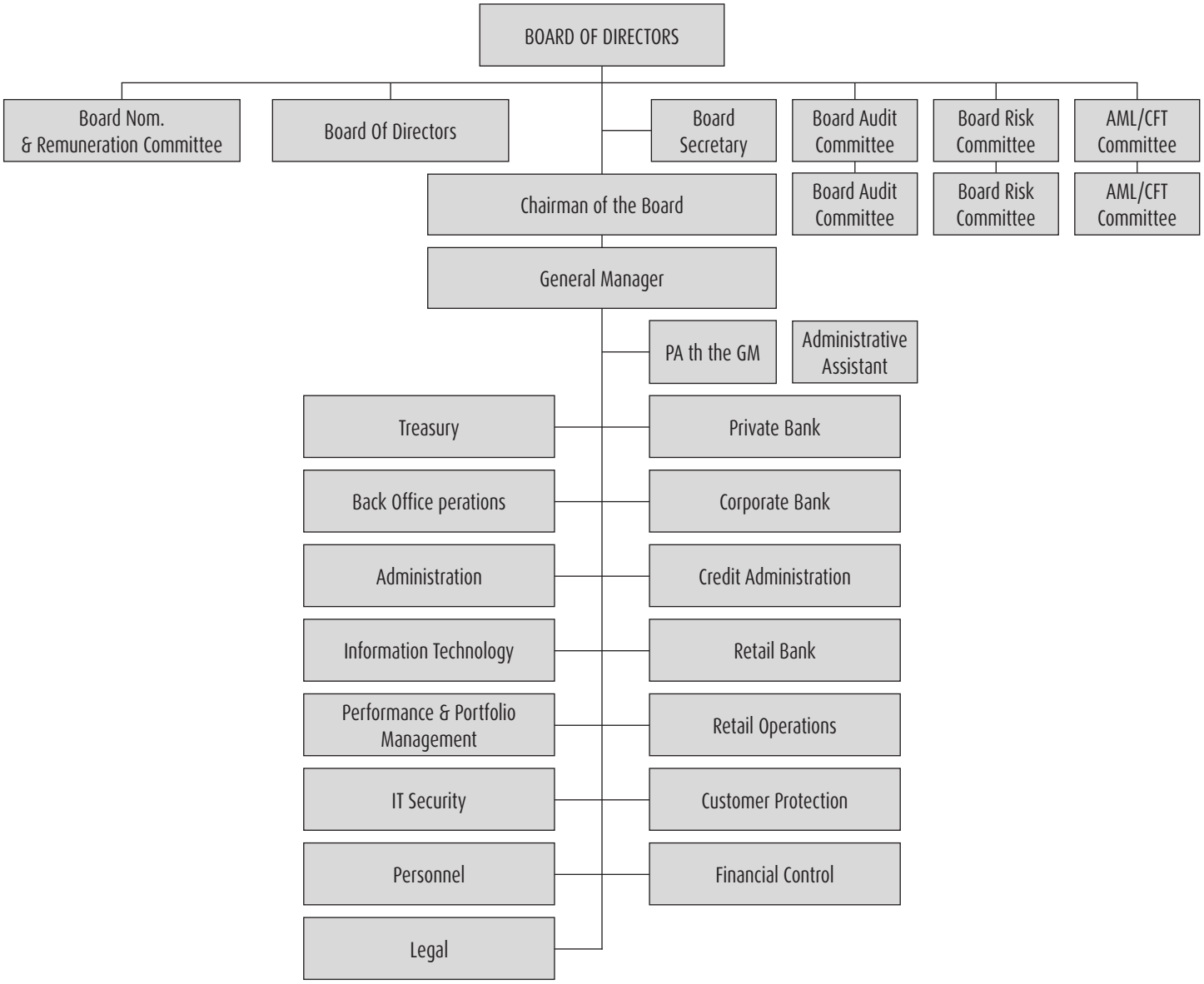
The Bank has developed its Corporate Governance framework to the highest standards defined by leading professional bodies and regulatory authorities. It is embedded into the day-to-day business and practices of the Bank and has evolved to reflect the Bank strategy, lessons learnt and the global leading practices.

The Bank's governance framework outlines a consistent approach across the Bank and will be reviewed on a periodic basis by the Board of Directors.

The Bank as a whole, along with the Board, Senior Management and all employees are collectively responsible for integrating the Corporate Governance framework into their day- to- day activities. The Board sets the "tone at the top", the management ensures that the Corporate Governance framework is implemented through a robust set of policies and procedures, and employees follow the Corporate Governance requirements in their day- to- day business.

## 2. BANK GOVERNANCE STRUCTURE

The Corporate Governance structure of NBK-L is developed and approved by the Board of Directors. This will be reviewed on an annual basis and updated to reflect emerging trends applicable to the Group's business and development.



## 3. BOARD OF DIRECTORS

**Board Committees**

The Board is supported by five Committees. The mandate and responsibility of each Committee are defined and delegated by the Board. These are documented in comprehensive Charters which list the detailed terms of reference for each Committee. All these Committees are constituted of Members of the Board holding relevant experience to the scope of the Committee. All these committees except for the corporate governance committee are chaired by Independent board members. These include:

- Audit Committee
- Risk Committee
- Corporate Governance Committee
- Nomination and Remuneration Committee
- AML/CFT Committee

### 3.1 Audit Committee

**Role:**

The Board Audit Committee (BAC) is responsible for overseeing the Bank's internal control framework. BAC shall perform an assessment of the effectiveness of the internal control framework on a quarterly basis through the evaluations carried out by the Head of Internal Audit. Also, the BAC shall report to the Board the results of the assessment on the adequacy of existing controls and processes. The Committee is also responsible for the recruitment, dismissal, performance evaluation, and remuneration recommendation of the Head of Internal Audit. In conducting its role, the Committee coordinates with all committees and closely with the Board Risk Committee and the Board Nomination & Remuneration Committee.

Furthermore, BAC is responsible for the monitoring the performance of External Auditors and coordinating with them on subjects related to audit and financial statements.

**Members:**

- Dr. Mowafak Al Yafi — Committee Chairman
- Mr. Malek Khalife — Committee Member
- Mr. Issam Khalaf — Committee Member

**Quorum:**

A quorum of three Members is required to convene a meeting. Another meeting must be convened if this quorum has not been attained. Only members of the Committee, the Secretary of the Committee, the Group Chief Internal Auditor, and the Head of Internal Audit shall be entitled to attend the Committee meetings. However, members of management or representatives and other specialists may be invited to attend meetings at the request of the Committee.

No meeting can be held in the absence of the Chairman. However, in exceptional cases the meeting shall be chaired by an independent member.

### 3.2 Risk Committee

**Role:**

The Board Risk Committee (BRC) is responsible for the review and monitoring of the Bank's risk profile, risk strategy, risk appetite and risk controls. It also administers and manages the Bank's capital requirements by ensuring that the Bank maintains an appropriate level and quality of capital and liquidity in line with its activities. The Committee also reviews the ICAAP and Stress Test scenarios and results of the Bank. In addition, the Committee reviews the compliance risk processes, anticipates the impact of regulatory change, ensures accountability of risk management, and flags any high-risk actions/transactions as required internally and by the regulators. The Committee is also responsible for the recruitment, dismissal, performance evaluation, and remuneration recommendation of the Head of Risk Management. In conducting its role, the Committee coordinates closely with the Audit Committee and the Nomination & Remuneration Committee.

The Committee meets at least on quarterly basis.

**Members:**

- Mr. Issam Khalaf — Committee Chairman
- Mr. George Richani — Committee Member
- Mr. Elias Kanaan — Committee Member

**Quorum:**

A quorum for any meeting shall be three members.

No meeting can be held in the absence of the Chairman. However, in exceptional cases the meeting shall be chaired by an independent member.

### 3.3 Corporate Governance Committee

**Role**

The Corporate Governance Committee (BCGC) supports the Board in the review of the Bank Corporate Governance principles and practices at least twice per year. The Committee is responsible for monitoring the robustness of the policies and procedures developed, and the effective implementation of the disclosure framework. Furthermore, the Committee supervises the process of monitoring and reporting of conflict of interest & Related Party Transactions. The Committee is supported by reports issued by the Risk Management/ Compliance Departments. In conducting its role, the committee coordinates closely with the Risk Committee, Audit Committee and the Nomination & Remuneration Committee.

**Members:**

- Ms Shaikha Al Bahar — Committee Chairperson
- Mr. Malek Khalife — Committee Member
- Mr. Ziad Kabbani — Committee Member

**Quorum:**

A quorum for any meeting shall be two members. In the absence of the Committee Chairman, the present remaining members shall elect one of themselves to chair the meeting.

A quorum of two Members is required to convene a meeting. A new meeting must be convened if this quorum has not been attained. Only Members of the Committee, the Head of Risk and Compliance, and the Secretary of the Committee shall be entitled to attend the Committee meetings. However, members of management or representatives and other specialists or professional advisors may be invited to attend meetings at the request of the Committee.

### 3.4 Nomination & Remuneration Committee

**Role**

The Board Nomination and Remuneration Committee (BNRC) is responsible for reviewing the Bank's remuneration framework, overseeing the Bank's succession plan formulation process, and suggesting recommendations with respect to the Executive Management remunerations. In addition, the Committee is responsible for the nomination of potential board members, on boarding and training of new members, and training/raising the awareness of the Board of Directors.

The Committee also initiates and oversees the evaluation process of the Board and underlying Committees. The committee is supported by reports prepared by Head of Human Resources and/or the GM. In conducting its role, the Committee coordinates closely with the Board Audit Committee and the Board Risk Committee.

**Members:**

- Dr. Mowafak Al Yafi — Committee Chairman
- Mr. Elias Kanaan — Committee Member
- Mr. Malek Khalife — Committee Member

**Quorum:**

The quorum necessary for the Committee meetings is three members. Only members of the Committee and the Committee Secretary shall be entitled to attend the Committee meetings. However, members of management or representatives and other specialists may be invited to attend meetings upon request of the Committee.

No meeting can be held in the absence of the Chairman. However, in exceptional cases the meeting shall be chaired by an independent member.

### 3.5 Anti-Money Laundering / Combatting Terrorism Financing Committee

**Role**

The Board Anti-Money Laundering / Combatting Terrorism Financing Committee (BAML/CFTC) is responsible for supporting the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and to assist it with making the appropriate decisions in this regard. It is also responsible for reviewing, from a risk-based approach, the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts regarding cash deposits and withdrawals, transfers, exemptions from filling Cash Transaction Slips (CTS) and the link between these operations and economic activities, and taking the relevant decisions.

Except for the Chairman, any member of the AML/CFT Board Committee may simultaneously serve as member of the Audit Committee or the Risk Committee or the Remuneration Committee (Cross membership).

**Members:**

- Mr. Albert Letayf — Committee Chairman
- Dr. Mowafak Al Yafi — Committee Member
- Mr. Elias Kanaan — Committee Member

**Quorum:**

The quorum necessary for the Committee meetings is three members. Only members of the Committee, Head of Compliance and the Committee Secretary shall be entitled to attend the Committee meetings. However, members of management or representatives and other specialists may be invited to attend meetings upon request of the Committee.

No meeting can be held in the absence of the Chairman, unless in exceptional cases where the meeting shall be chaired by an independent member.

## 4. CORPORATE VALUES

The Bank adheres to high standards of corporate values. These are followed and embedded through a number of well-established pillars. These pillars are formalized through a robust set of policies and procedures covering:

1. Code of Conduct
2. Related Parties Transactions
3. Conflict of Interest
4. Confidentiality
5. Whistle Blowing

### Code of conduct

The Board takes the lead in setting professional standards and corporate values which promote integrity for the entire body, Executive Management and employees. The Bank's Code of Conduct outlines the ethical standards expected of various stakeholders in the conduct of its business. This specifically covers the Board, employees and other stakeholders.

### Related Parties Transactions

The Bank's Related-Party Transactions Policy outlines the guiding principles on dealing with and managing transactions with relevant parties, whether between the Bank and its Board Members, their companies or their related parties, Executive Management, and employees including syndicated financing and trading activities. The policy is in compliance with regulatory and IFRS standards.

### Conflict of Interest

The Board monitors and manages the potential conflict of interest of the Bank including the abuse of the Bank's resources and any misuse of powers. The Conflict of Interest Policy provides guidelines for the identification, reporting, disclosure, prevention, and strict limitation of potential conflict of interest, including rules concerning related party transactions and potential conflicts of interest.

### Confidentiality

The Board, Executive Management, and employees are committed to preserve the confidentiality of information and data on the Bank's customers, as per internal policies, laws, and instructions issued by the regulatory bodies in this respect. This has been well governed by confidentiality and information-security rules adopted and implemented within the Bank.

### Whistle Blowing

The Bank promotes a transparent and collaborative working environment for all employees. The Whistle Blowing practices determine the guiding principles and procedures which enable employees to escalate to the Chairperson/ Board Secretary any significant disputes, their concerns regarding any potential violations, malpractice, "reportable" conduct, and to allow independent investigation and monitoring of these concerns.

## 5. RISK MANAGEMENT AND INTERNAL CONTROL

### 5.1 Risk Management and Compliance

Risk Management and Compliance are centralized and independent functions. The Heads of Risk Management and Compliance report to the Board Risk and AML/CFT Committees. Head of Risk Management's appointment, dismissal, remuneration and evaluation are also determined by the Board Risk Committee. The function is primarily responsible for identifying, measuring, monitoring, controlling and reporting the risk profile of the Bank. It assists and acts as the internal advice to the Executive Management to actively assess and control the Bank's overall risks.

In coordination with the Group Risk Management, the Risk Management and Compliance function ensures:

- The overall business strategy and business activities conducted within the Bank are consistent with the risk appetite approved by the Board.
- Risk policies, procedures and methodologies are tailored in a manner that is relevant to the local regulations and are consistent with the risk appetite of the Bank and ultimately the Group.
- Appropriate risk management architecture and systems are developed and implemented by the Bank.
- Adequate monitoring of portfolios' risks and limitations across the Bank.

### 5.2 Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit function reports directly to the Board Audit Committee that is accountable for monitoring the overall performance of the function.

In coordination with the Board Audit Committee, Internal Audit:

- Assesses the effectiveness of the Internal Control in the Bank.
- Reviews the effectiveness of risk assessment, management and reduction methods.
- Reviews the accuracy of accounting entries and financial statements and reports.
- Verifies the effectiveness of the mechanism and procedures adopted by the Compliance Department to control compliance with laws and regulations.

The Head of Internal Audit is not assigned any executive responsibilities in order to maintain autonomy and impartiality in fulfilling his/her duties and responsibilities.

### 5.3 Control environment

The Bank maintains a sound control environment supported by a set of policies and procedures, which are adhered to across the Bank and are designed to specifically cater and accommodate the needs and requirements of the Bank. The effectiveness of internal controls is monitored through a well-structured control self-assessment program designed according to COSO framework. This is routinely monitored by the Board and is subject to independent assessment and review, to identify enhancement opportunities and the effectiveness of the control framework.

The Board strives consistently to ensure the adequacy and efficiency of the control systems required to protect the Bank's operations by ensuring compliance with such internal controls and establishing that those controls provide the necessary protection for the Bank against risks from within or outside the Bank.

The Board ensures an effective Internal Control System and Risk Management function are in place with sufficient authority, independence, resources and access to the business lines. The Board regards the Internal Audit function and External Audit activities as integral parts of key control tools for independent review of information reported by Executive Management to the Board.

The Board is provided with the results of assessments on the existing internal control systems from Risk Management, Internal Audit and independent external parties.

An Internal Control Review (ICR) of NBK-Lebanon is conducted regularly by an external audit firm (other than the Financial External Audit Firm). ICR examines accounting and other records, and evaluates the internal control systems with regard, but not limited to, Corporate Governance, Consumer Banking, Corporate and Consumer Credit, Treasury, Financial Control, Information Technology, Risk Management, Human Resources, Administration, Anti-Money Laundering, Legal Affairs and Internal Audit. The last issued report did not highlight any significant issues.

The Bank has established a process of regular follow-up on reported exceptions to ensure that corrective actions are being taken to rectify the control weaknesses and gaps identified during the course of the Audits and Reviews.

Moreover, an Internal Control Committee (ICC) is established embedding Heads of Control Functions of the Bank. Its main roles and responsibilities are:

- Managing the resolution of weaknesses or shortcomings identified in compliance, operational, financial, regulatory, and IT controls;
- Following up on resolutions of Internal and External Audits in addition to Banking Controls Commission findings;
- Ensuring adequacy, effectiveness and timely reporting of incidents;
- Ensuring that Local and International standards, rules and regulations are adequately and timely included within internal policies and procedures and adhered to, where applicable,
- Ensuring adequacy and effectiveness of controls set in addition to the timely completion of Users' Acceptance Testing before launching new applications or major change(s)/upgrade(s) to existing applications.

ICC meetings are held on monthly basis and decisions taken are being followed up thoroughly.

## 6. REMUNERATION GOVERNANCE

The Bank remuneration process is governed by the Board Remuneration Committee with the Board holding the overall responsibility.

The Remuneration Policy sets out key aspects and components of the remuneration of the Executive Management and other employees. The Bank follows a consistent approach in applying the Remuneration Policy.

The Remuneration Policy stipulates the linkage to the Bank's long-term strategic objectives and its risk- taking. The Bank differentiates between remuneration of Senior Management, Material Risk-Takers and Control Functions. These are linked to key performance indicators subject to risk-adjusted approach.

The Bank applies a deferment approach up to three years (final vesting of the variable component). Vesting of the variable component is subject to achieving the long-term performance targets and risk materialization. Claw back applies on the vested portions in case of not meeting long-term targets or risk materializations.

## 7. DISCLOSURE AND TRANSPARENCY

The Bank has adopted a Disclosure Policy notably for preparing financial statements and addressing any conflict of interest.

The Bank is committed to providing timely, consistent, and accurate information to its stakeholders, which is consistent with legal and regulatory requirements within the transparency framework. It ensures consistent disclosure practices are applied to all members of the business community, including individual investors, have prompt and simultaneous access to the disclosed information. Accordingly, the Bank has adopted a Disclosure and Transparency Policy containing the details of its disclosure requirements (financial, non-financial, and regulatory disclosures), the guidelines for the Bank's internal communication, and corporate responsibilities.

The Bank cooperates with all regulatory authorities supplying them with accurate and timely information as stipulated by applicable laws and regulations. Head of Compliance is responsible for dealing and communicating with the relevant regulatory authorities.

The disclosure framework covers the key quantitative and qualitative information related to financial performance and financial stability, risk management factors, remuneration, Corporate Governance, related-parties transactions, conflict of interest, substantial changes in business, etc...

## 8. SUCCESSION PLAN

The Board sets the plans relating to the preparation of the technical cadres for Bank's executive positions that may become vacant. Such succession plans include statement of qualifications and requirements that candidates should fulfill to occupy such vacant positions.

- BNRC is responsible for the oversight of the Bank's succession plan process that aims at identifying and developing potential successors for critical and key roles such as the Chairman, GM and other key positions that are vital to the Bank's business continuity and success.
- The Bank's Succession Policy sets out the guidelines to ensure that, for each critical position, a documented succession plan is put in place to cover the eventuality of the individual holding that position is no longer employed by the Bank.
- BNRC conducts periodic review of the succession plan and proposes changes to the process as necessary. Any amendment to the Policy is subject to the Board's approval.

## 9. ASSESS PERFORMANCE

The Bank has adopted rules to assess the performance of both the Senior Management and the Board of Directors regarding their compliance with Good Governance procedures.

### 9.1 Board Effectiveness Review

The Board through BNRC conducts an assessment of the Board's overall performance and performance of each Board member at least every year. The assessment shall include the members' expertise and knowledge, assessment of their powers, and leading characteristics. The annual effectiveness review embeds the performance of the Board, Board Committees and individual Directors.

BNRC is responsible for administering the evaluation process for the Board. All evaluations from any Board Committee shall be submitted to the Board after completion for final scoring purposes.

The Chairperson holds private meetings with each Director to discuss the results and to agree on developmental areas relating to their own individual performance. Chairpersons of Board Committees are responsible for the evaluation of their Committees.

Detailed roles and responsibilities of the BNRC Committee are provided in BNRC Charter.

### 9.2 The Board and Executive Management

The Board shall oversee the conduct of the Bank's business and be primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Executive Management, approval of business strategies, evaluation of performance, and assessment of major risks facing the Bank.

### 9.3 Performance evaluation of the GM

BNRC shall evaluate the GM's performance at least every year in light of corporate goals and objectives, considering the Bank's overall performance and awards to the GM in the past years.

### 9.4 Board Oversight towards the Executive Management

The Board ensures that the organizational structure of the Bank facilitates effective decision making and good governance. This includes ensuring that lines of responsibility and accountability, which clearly define the key responsibilities and authorities of the Board itself, as well as of Executive Management and those responsible for the control functions (Internal Audit, Risk Management and Compliance), are set and enforced throughout the organization.

The Board segregates the position of the Chairperson from that of GM, and ensures that no first degree kinship exists between them or any other relation that may affect independency of decisions taken by each position holder. Such separation should be made in responsibilities by virtue of written instructions approved by the Board and be reviewed, whenever needed.