KICB
KYRGYZ INVESTMENT
AND CREDIT BANK

Approved by the Board of Directors'
Decision at the 185th meeting
held on September 29th, 2017

Л/13/СД/550

"KYRGYZ INVESTMENT AND CREDIT BANK" CJSC

BOARD APPOINTMENT AND REMUNERATION COMMITTEE

TERMS OF REFERENCE

1. General provisions

1.1. This Regulation was developed in line with the current legislation of the Kyrgyz Republic, the Charter and other internal documents of the Closed joint-stock company Kyrgyz Investment and Credit Bank (hereinafter – the Bank).

1.2. This Regulation shall determine scope and functions of the Board Appointment and Remuneration Committee (hereinafter – the Committee) of the Bank, procedures for appointment of members, their competence and functions, procedure for organization of work and decision making by the Committee.

1.3. The Committee shall be established in the bank to improve performance of the bank's Board of Directors and to optimize decisions taken by the Board of Directors.

1.4. The activity of the Committee shall be aimed to strengthen control over appointments and remunerations of the Management members, heads and employees of internal audit, risk management and compliance control departments, and key employees determined by the Bank.

1.5. Remunerations for the Board Members, Management, heads of Internal Audit, Risk Management, Compliance-Control and also for the key employees determined by the Bank should be paid in accordance with the approved internal regulation on remunerations.

1.6. The activity of the committee shall be regulated by the requirements of the Kyrgyz legislation, the Charter of the bank and the regulation on the Committee that shall be approved by the Board of the bank.

2. Objective of the Committee

2.1. The objective of the Committee is to re-enforce control over appointments and remunerations of Management, heads and employees of internal audit, risk management and compliance-control functions and key employees determined by the Bank.

3. Responsibilities of the Committee

3.1. For re-enforcement of control over appointments and remunerations the Committee shall have the following responsibilities:

3.1.1. Provide recommendations to the Board of Directors regarding candidates to be nominated for Management, heads and employees of internal audit, risk management and compliance control, and key employees determined by the Bank considering the requirements set by the National Bank of Kyrgyz Republic to such positions.

3.1.2. Consider candidates for the position of Corporate Secretary, evaluate candidates for the Corporate Secretary against the set requirements and provide recommendations to the Board of Directors.

3.1.3. The Committee shall determine level of remuneration paid by the Bank which should be sufficient to attract, to motivate and to retain persons having competence and qualification required to the bank, and the level of the remuneration paid by the bank should not lead to the unprofitable activity.

3.1.4. Develop internal regulation on remunerations, which should be approved by the Board of Directors as outlined in Section 4 of this regulation.

3.2. Other responsibilities:

3.2.1. Recommend to the Board of Directors on staff transfer and career development of bank employees as defined in section 3.1.1.

3.2.2. Training of the employees (including the Board of Directors and Management).

3.2.3. Applying measures for inadequate fulfilment of the duties by the employees of the Bank (including the Board and the Management), for violation of the standards of the professional ethics adopted by the Bank.

3.2.4. Exercise oversight over fulfilment of the decisions in the area of HR management strategy and staff motivation taken by the Bank's Board of Directors.

4. Internal Regulation on Remunerations

4.1. Internal regulation on remunerations should be in line with requirements of clause 3.1.3 of this regulation. Board of Directors with support from the Committee shall ensure control over implementation of this regulation in the Bank, and if required shall review and update the regulation.

4.2. Size of remunerations paid to the Board Members, Management, heads of Internal Audit, Risk Management, Compliance-Control and key employees determined by the Bank should be sufficient for adequate motivation for their effective work, enabling the Bank to attract and retain competent and qualified specialists.

4.3. Size of additional remuneration to the Board Members shall be set by a decision of the General Shareholders' Meeting considering the results of the bank's operation, according to the results of a financial year and effective participation of the Board Member in the activity of the Board of Directors.

4.4. Remuneration system of the bank shall meet its business strategies, risk management strategies, objectives, values and long-term interests of the Bank and shall provide for the measures to prevent the conflict of interests. Incentive programs of the Bank shall contribute to implementation of the adopted risk management culture, within which the practice of the decision taking shall meet the set criteria and encourage the employees to act in the bank's interests (taking into account the interests of the client), but not only in their personal interests or in the interests of their subdivision. In particular, the bonuses envisaged by the incentive program shall not lead to taking excessive risks by the employees.

4.5. Size of remuneration shall directly depend on the risk to result ratio. The ways of remuneration payment against future income, the period and the probability to receive such future income is not clear shall be carefully weighted based on accepted qualitative and quantitative indicators. The remuneration system shall envisage the possibility to change the size of bonuses taking into account all risks including violations of the risk-appetite limits, the internal procedures or the regulatory requirements.

4.6. Internal regulation on remunerations should also include the followings:

4.6.1. The procedure and the period for payment of bonuses.

4.6.2. The system of bonuses payment criteria for purposes of long-term incentive that shall account the results of risk management in perspective.

4.6.3. The sizes of bonuses.

4.6.4. Conditions of deferred payment of significant part of bonuses until results of taking any specific risks are known, and taking into consideration risk mitigating measures in cases where it will be necessary.

4.6.5. Conditions on reduction or cancelling of bonuses based on the actual results, or any prior to the payment conditions.

4.6.6. Conditions on meeting or adhering to the budget targets.

4.6.7. Profitability of the bank in case of bonuses payment.

5. Members of the Committee

5.1. Members of the Committee shall be elected from the Board of Directors of the Bank who has professional knowledge and experience in the areas of the Committee's activity.

5.2. The Committee shall consist at least of three members of the Board of Directors appointed by the shareholders' meeting of the Bank; one of them shall be independent.

5.3. Conditions of pre-term termination of the membership in the committee:

5.3.1. Termination of membership in the Board of Directors.

5.3.2. Upon a personal request of the Committee Member.

5.3.3. By a decision of the Bank's Shareholders.

5.3.4. In cases of conflict of interests of the Committee Member or his personal interest in the activity of the Committee is detected.

5.3.5. In case of any actions committed resulting to any damages to the business reputation of the Bank.

5.4. The Committee shall be headed by the Chairman of the Committee. The Chairman of the Committee shall be appointed out of the Committee Members by the shareholders' meeting of the Bank.

5.5. The Committee cannot include CEO, Management members and employees of the Bank. The Management members/the employees of the Bank can take part in the Committee meetings as invited persons or constant experts.

5.6. The term of office of the Committee members shall coincide with the term of their office as the Board Members of the Bank.

6. Secretary of the Committee

6.1. A secretary of the committee shall be appointed and dismissed by a decision of the Committee out of the employees of the Bank. The secretary of the Committee shall organize the work (meetings and records management) of the Committee.

6.2. Responsibilities of the Committee secretary shall include:

6.2.1. Ensure preparation and conduct of the Committee meetings.

6.2.2. Receive proposals from the Committee Members regarding the agenda of the Committee meetings.

6.2.3. Provide materials of the meetings and activity of the Committee to the Committee Members.

6.2.4. Develop the agenda as well as providing extracts from the Committee Meetings, ensuring their safety and access to them.

6.2.5. Keep the minutes of the Committee Meetings and prepare the minutes according to the results of voting.

6.2.6. Familiarise all Committee Members with the signed minutes by any way of communication facilities.

6.2.7. Manage paperwork of the Committee and keeping all documentation of the Committee.

6.2.8. Monitor fulfilment of the decisions taken by the Committee.

7. Meetings of the Committee

7.1. The meetings of the Committee shall be held on a need to have basis.

7.2. The meetings of the Committee shall be held in person of the Committee Members (physical) or not-physical, by way of exchange of faxes/e-mails.

7.3. Not-physical meetings of the Committee shall be convened by the Chairman of the Committee at his own initiative, upon a request of any member of the Committee or the CEO.

7.4. A notice of the Committee meeting shall be sent by the Chairman of the Committee to the Committee members by e-mail no later than 3 (three) business days prior to the date of the meeting.

7.5. The agenda of the not-physical Committee meeting shall be determined by the Chairman of the Committee. At that, any Committee Member shall be entitled to initiate inclusion of an additional issue into the Agenda that relates to the competence of the Committee. Upon mutual consent of the Committee members, the Agenda can be altered and supplemented.

7.6. The meeting shall have the quorum when the majority of the Committee Members attend it i.e. at least two out of three members (written opinions are received by the beginning of the meeting).

7.7. The invited participants of the Committee meeting shall be restricted only to those, who are responsible for submission of the agenda item.

7.8. The decisions of the Committee shall be taken by simple majority of votes of total number of all Committee members. Each member of the Committee shall have one vote. The Committee member is prohibited to transfer his voting right to other persons, including other Committee members. If the votes of the Committee members are equal, the vote of the Chair shall be final.

7.9. At the Committee meetings, each Member of the Committee shall be aware of the essence of the issue under consideration.

7.10. Each Committee Member shall realize the influence of the decisions taken by him on the activity of the bank;

7.11. Each Committee Member shall assess possibility of risks and consequences of the decision taken by him/her.

7.12. According to the results of each Committee Meeting, minutes shall be prepared by the secretary of the committee. The minutes shall be prepared and signed no later than 60 (sixty) business days after the meeting. The minutes shall be signed by all Committee Members attending the meeting and a secretary of the committee. The Committee Members that have not attended the meeting shall familiarize themselves with the minutes and taken decisions and should sign the minutes as absentee.

7.13. The Minutes of the Meeting shall specify:

7.13.1. Date, venue and time, form of the Committee Meeting.

7.13.2. List of the Committee Members attending the Meeting

7.13.3. List of other persons (invited participants) attending the Committee Meeting.

7.13.4. Agenda of the Committee Meeting.

7.13.5. Key proposals of the Committee Members regarding the agenda issues.

7.13.6. Issues put to vote and results of voting and all taken decisions.

8. Reporting on the activity of the Committee

8.1. The Committee shall regularly but at least once a year report to the Board of Directors on its activity.

9. Responsibility of the Committee members

9.1. The Committee Member shall take responsibility to the Bank for damage caused by his/her actions in accordance with the Kyrgyz legislation.