



Attachment to XacBank Board Resolution R-2023-37
dated 07 July 2023



CHARTER
OF THE GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF XACBANK

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| Version | 2.0 |
| Date of approval | July 7, 2023 |
| Confirmed | Board of Directors |
| Prepared by | Office of Board of Directors |
| Related legal documents | <ul style="list-style-type: none">▪ Company Law▪ The Corporate Governance Code approved by Financial Regulatory Commission, Resolution No. 145 of 2022 |
| Scope | Bank- wide |
| Amendment | Board of Directors |

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Article I. Committee Purpose

- 1.1 The Governance, Nomination and Compensation Committee (the “**Committee**”) of XacBank (the “**Bank**”) is created by the Board of Directors (the “**Board**”) of the Bank to fulfill its commitment and compliance to and monitor implementation of a Corporate Governance System by the Bank's executive management, board directors and shareholders. This system will comprise of necessary structures and processes for the direction and control of a transparent and sustainable bank that aligns the interests of a wide range of different stakeholders, including its shareholders and investors, and its management and employees.
- 1.2 The Committee will provide assistance to the Board of Directors in fulfilling its responsibility to the shareholders, the investment community, industry regulators, and governmental agencies that regulate the activities of the Bank by selecting, evaluating and recommending to the Board best qualified candidates for election or appointment to the Board as well as to the Chief Executive Officer (the “**CEO**”).
- 1.3 The GNC Committee shall undertake the following primary responsibilities including but not limited to:
 - (a) Formulating, recommending to the Board and overseeing the implementation and administration of the Bank's Corporate Governance Code and its framework;
 - (b) Selecting, evaluating and recommending to the Board and the Shareholders’ meeting of the Bank the qualified candidates for election or appointment to the Board, including its independent member(s), as well as for selection and appointment to the CEO;
 - (c) formulating the compensation policy for the Bank employees and presenting it for approval by the Board of Directors;
 - (d) Developing, recommending to the Board and administering a long-term incentive compensation plans for the CEO and other senior members of the management team; Developing and administering a compensation program including fixed salary, bonus and long-term incentive compensation for the CEO; overseeing the administration of the long-term incentive compensation program and other benefit plans; annually evaluating the CEO's performance and recommending to the Board the CEO's compensation level based on this evaluation; and concluding an employment contract with the CEO;
 - (e) conducting a comprehensive evaluation to determine whether the knowledge, skills, and work experience of the governing persons of the Bank are in line with the specific requirements of their respective positions to ensure such individuals possess the necessary competencies and expertise to effectively contribute to the Bank's strategic objectives;
 - (f) examining and assessing any potential conflicts of interest among the governing persons and scrutinizing the independence of the board's independent members in order to safeguard the integrity and objectivity of board decisions and to promote transparency and accountability within the Bank's governance structure;
 - (g) organizing and overseeing comprehensive training and qualification programs for independent directors and ensuring the continuous professional development of independent directors,

fostering their ability to make informed decisions and contribute effectively to the Board's deliberations; and

- (h) All acts by the Committee shall be deemed to be done in good faith and conferred under full authority of the Board.

1.4 Matters pertaining to the general regulations of the Committee shall be governed under the Board Internal Rules of Procedure of the Bank.

Article II. Committee Organization and Structure

2.1 Composition and Qualifications:

- 2.1.1. No member of the Committee may serve on the Board of Directors of any other commercial bank in Mongolia unless the proposed member discloses such information to the Board in advance and the Board consents that such simultaneous service would not impair the ability of the member to effectively serve on the Committee.
- 2.1.2. A member will not be on the Board of another Commercial Bank or a Non-Banking Financial Institution in Mongolia. If while serving as a member of the Committee, a member becomes a member of the Board of Directors for any other company or commercial bank in Mongolia, that member must disclose such membership to the Board immediately.
- 2.1.3. In addition to meeting the general requirements set forth in the Banking Law and Company Law, the members of the Committee shall have board experience and governance expertise.
- 2.1.4. The Committee composition should be constituted of two-thirds independent members, and efforts should be made to maintain gender balance.

Article III. Committee Duties and Responsibilities

3.1 In order to fulfill its authority and responsibilities, the Committee shall undertake decisions and/or issue recommendations to the Board regarding the following:

3.1.1. Corporate Governance and its Compliance:

- (a) Monitor the compliance with the Bank of Mongolia (Central Bank)'s corporate governance principles applicable to the Bank and Financial Regulatory Commission's corporate governance code applicable to the joint stock companies;
- (b) Monitor procedures for meeting the Board's information needs, including formal and informal access to the executive officers of the Bank and external auditors;
- (c) Review and manage the Bank's general policy on insider trading and insider reporting;
- (d) Develop for approval by the Board, monitor and oversee the disclosure of appropriate corporate governance structures and procedures, including the identification of decisions requiring approval of the Board and, where appropriate, measures for receiving feedback;

- (e) Develop a Code of Ethics and Business Conduct for Board's approval and monitor its compliance;
- (f) Review and approve the annual statement of Corporate Governance Statement for inclusion in the Bank's Annual Report;
- (g) Monitor disclosure by the board directors and shareholders as required by the regulatory procedures and in accordance with good corporate governance principles; and
- (h) Monitor conflict-of-interest situations and ensure that appropriate declarations of interest are made.

3.1.2. The Board and its Committees Composition and their Performance:

- (a) Monitor the size and composition of the Board and its committees to ensure effective decision-making;
- (b) Develop and review criteria as well as establish procedures for selecting board directors by regularly assessing the competencies, skills, personal qualities, business background and diversified experience of the Board taking into consideration the Bank's circumstances and needs;
- (c) Identify candidates qualified to become board members and recommending nominees for election at the next annual or extraordinary meeting of shareholders, including candidates for independent directors;
- (d) Ensure that the procedures with regard to independent directors set by the Bank of Mongolia and in the relevant laws and regulations, governing the banking sector and joint stock companies of Mongolia, are complied with, implemented and followed;
- (e) Recommend to the Board the composition of the board committees;
- (f) Review and monitor the organization and conduct of the board meetings;
- (g) Monitor appropriate processes for the periodical performance and effectiveness assessment of the Board, the board committees, the board and committee chairs and individual board directors; and
- (h) Ensure the orientation training and continuing education programs for the board directors.

3.1.3. Selection, Compensation and Performance Review of the CEO

- (a) Review and approve corporate goals and objectives;
- (b) Evaluate the CEO's performance in light of those goals and objectives;
- (c) Recommend the CEO's compensation level based on this evaluation;
- (d) Develop, recommend for Board approval and administer annual and/or long-term incentive compensation plans for the CEO;
- (e) Review the selection and performance of the CEO and, where appropriate, recommend the replacement of such officer; and
- (f) Oversee the succession planning for the CEO.