

APPROVED  
by the Supervisory Board  
of CREDIT BANK OF MOSCOW  
Minutes No.10 dated 06.06.2016

## **REGULATION ON THE COMPENSATION, CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE OF THE SUPERVISORY BOARD OF CREDIT BANK OF MOSCOW**

### **1. GENERAL PROVISIONS**

1.1. This Regulation sets forth the status, formation and competence of, powers and responsibility of the members of, procedure for calling and holding meetings and recording recommendations of, the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board of CREDIT BANK OF MOSCOW (the “Bank”).

1.2. This Regulation is made pursuant to the Bank’s Charter, Corporate Governance Code and Regulation on the Supervisory Board.

1.3. The Compensation, Corporate Governance and Nominations Committee of the Supervisory Board (the “Committee”) is formed to direct the HR policy for recruiting highly qualified specialists to the Supervisory Board, Management Board and for the office of the Chairman of the Management Board, to formulate remuneration and compensation principles and criteria for them, to develop a transparent motivation system for them, and to advise on creating and implementing effective corporate governance models and solutions.

1.4. The Committee shall act in the interests of the Bank’s shareholders, the Bank itself and its investors, and promote a good corporate governance system.

1.5. The Committee shall act within powers conferred to it hereunder by the Supervisory Board.

1.6. In its activities, the Committee shall be fully accountable to the Supervisory Board and shall be governed by Russian legislation, the Bank’s Charter, Regulation on, and resolutions of, the Supervisory Board, this Regulation and other by-laws of the Bank as approved by the General Shareholders’ Meeting and the Supervisory Board, and resolutions of the Committee.

### **2. FUNCTIONS OF THE COMMITTEE**

2.1. The Committee’s exclusive functions are:

- formulate, revise from time to time, and oversee implementation and fulfilment of, the Bank’s remuneration policy, principles and criteria for Supervisory Board members, the Chairman of the Management Board and Management Board members (“executives”);
- establish criteria and a system for, make, and report to the Supervisory Board on, performance appraisal (including preliminary annual appraisal under the Bank’s remuneration policy), of executives;
- put forward proposals to the Supervisory Board as to essential terms, including early termination provisions, of contracts with executives, including all financial obligations of the Bank and conditions on which such obligations shall be assumed;

- advise the Supervisory Board on setting the remuneration and the bonus payment principles for the Corporate Secretary, and carry out a preliminary annual appraisal of his/her performance and propose any bonuses to be paid to him/her;
- annually make a detailed formalised self-appraisal or external performance appraisal of the Supervisory Board, members of the Supervisory Board and its committees, propose ways to improve its performance, define priorities in improving its composition, and prepare a self-appraisal or external performance appraisal report to be included in the Bank's annual report;
- evaluate, promote and improve corporate governance within the Bank, and develop and approve plans intended to improve the Bank's corporate governance system;
- deal with shareholders, including minority shareholders, in order to give them recommendations on electing Supervisory Board members;
- plan appointments, with due regard to succession planning, of executives, and give recommendations to the Supervisory Board as to candidates to the office of the Corporate Secretary, executives and other key managers;
- advise on building a good corporate governance system that is consistent with international standards, promotes efficient management and ensures protection of the shareholders' rights and interests, enhancement of investment appeal of the Bank's securities, upgrade of its ratings, reduction of its cost of funding and more efficient interaction between the Supervisory Board and the Bank's management;
- put forward proposals to the Supervisory Board as to remunerating independent directors and other Supervisory Board members and executives in a way consistent with the Bank's goals, targets and condition for the time being and the remuneration level in other institutions similar in the scope and scale of their business.

2.2. The Supervisory Board may resolve to request the Committee to perform any other tasks within its competence.

2.3. The Committee shall co-operate with any other Supervisory Board committees and other management and control bodies of the Bank.

### **3. COMPETENCE OF THE COMMITTEE**

3.1. For fair and independent information of Supervisory Board members, the Committee shall, pursuant to its functions under cl. 2 hereof, shall have the following powers in respect of the Bank's corporate governance system:

- 3.1.1. Advise the Supervisory Board on approving or amending this Regulation.
- 3.1.2. Consider any proposals regarding development and improvement of the Bank's bylaws concerning any matters within the Committee's competence and requiring approval by the Supervisory Board.
- 3.1.3. Monitor the Bank's compliance with applicable laws, its Charter and corporate governance bylaws, and researches in corporate governance, social responsibility and business transparency in order to adjust the Bank's corporate governance system improvement plans accordingly.
- 3.1.4. Ensure, and analyse the outcome of, corporate governance rating assignment to the Bank.
- 3.1.5. Prevent and resolve any corporate or ethical conflicts or conflicts of interest, and evaluate, and approve action plans to mitigate, any risks of corporate conflicts.
- 3.1.6. Consider any proposals of executives related to promotion of corporate culture.
- 3.1.7. Direct the Bank's information policy regarding the forms, ways and scope of voluntary disclosure of the Bank's activities.

3.1.8. Consider any communications or notices from the Bank's employees, shareholders or any other interested parties concerning any identified or alleged violations by the Bank's officers of statutory requirements, the Bank's by-laws or accepted ethical standards.

3.1.9. Appraise efficiency of the Bank's procedures put in place to identify affiliates or transactions qualifying as major transactions or interested party transactions.

3.1.10. Review any dealings in the Bank's securities by the Supervisory Board members, the Bank's officers or other persons possessing insider information.

3.1.11. Control implementation of any corporate governance resolutions taken by the Supervisory Board.

3.2. For fair and independent information of Supervisory Board members, the Committee shall, pursuant to its functions under cl. 2 hereof, shall have the following powers in respect of HR management strategy, motivation, nominations and remunerations:

3.2.1. Advise the Supervisory Board, when it brings the issue of approving (amending) the Regulation on the Supervisory Board before any General Shareholders' Meeting, as regards establishing a remuneration system as well as remuneration and compensation principles and criteria for Supervisory Board members;

3.2.2. Advise the Supervisory Board on approving essential terms of the contracts (supplementary agreements) with Supervisory Board members (if made by the Bank);

3.2.3. Develop methodology for performance appraisal of the Supervisory Board, its committees and members, propose independent consultants to be chosen by the Supervisory Board.

3.2.4. Define eligibility criteria for, and preliminarily review, nominees to the Supervisory Board and for the offices of executives.

3.2.5. Consider and approve issues related to the Bank's HR management strategy, including oversight of various incentive programmes (in particular long-term motivation programmes for executives).

3.2.6. Review any information on executives holding offices in management bodies of any other entities.

3.2.7. Advise the Supervisory Board on removal of the Chairman of executives before term.

3.2.8. Participate in succession planning in respect of executives.

3.2.9. Monitor, on an ongoing basis, the consistency of the existing eligibility criteria for the offices of the Chairman of the Management Board and members of the Management Board and the remuneration policy with the Bank's development strategy and financial condition as well as labour market situation.

3.2.10. Select independent consultants to advise on remuneration of the Bank's executives and other key managers.

3.2.11. Prepare reports on practical implementation of the policy on remuneration due to Supervisory Board members, executives and other key managers to be included in the Bank's annual report and other documents.

3.3. Preparation of Supervisory Board decisions related to organisation, monitoring and control of the payroll system, and to appraisal of its consistency with the Bank's strategy, the nature and scale of its operations, its performance, and the level and mix of risks taken by it, including:

3.3.1. approving documents setting out rules for determining salaries and performance-unrelated compensations, incentives and allowances for executives, and rules for determining the amount, form and accrual of performance-related compensations and bonuses for executives and other managers (employees) approving the Bank's operations and other transactions which may affect its compliance with mandatory ratios or result in other situations jeopardising its depositors' and creditors' interests, including triggers for subjecting it to insolvency (bankruptcy) prevention

measures (“other risk takers”), and for employees of subdivisions responsible for internal control and those responsible, at the level of individual portfolios, business areas and the entire Bank, for identifying and assessing risks, setting risk limits, assessing related capital requirements and controlling compliance with the above limits (“risk management subdivisions”), including the Bank’s Remuneration Policy for Members of the Management Board and Selected Senior Executives and Staff Remuneration Policy; and considering whether to keep or revise the documents listed herein (at least once every calendar year);

3.3.2. approving the Bank’s payroll budget (at least once every calendar year);

3.3.3. considering proposals (if any) of the Internal Audit Division, Internal Control Service and risk management subdivisions as to improvement of the payroll system and reports of the subdivision(s) responsible for monitoring of that system (at least once every calendar year);

3.3.4. considering independent appraisals of the payroll system (including that in the external auditor’s annual report) and information (reports) of the Supervisory Board’s Audit and Risk Committee;

3.3.5. controlling large remuneration payments defined according to criteria set out in the Bank’s bylaws;

3.3.6. other issues.

3.4. To enable the Committee to fulfil its responsibilities, the Supervisory Board authorises it to:

3.4.1. Oversee the disclosure of remuneration policies and practices, and any shares held in the Bank by Supervisory Board members, executives and other key managers, in the Bank’s annual report and on its corporate website.

3.4.2. Engage in control over, and checks of, implementation of resolutions and requests of the Supervisory Board related to the Committee’s competence.

3.4.3. Request and obtain, in the manner established in the Bank, any information necessary for its proceedings from members of the executive bodies, the Supervisory Board, the Audit Panel and the Auditor, heads of subdivisions and other units and employees of the Bank.

3.4.4. Propose to the Supervisory Board any amendments to this Regulation.

3.4.5. If necessary, draft the Committee’s by-laws for approval by the Supervisory Board.

3.4.6. Exercise other rights as necessary to fulfil the Committee’s powers.

3.5. Committee members must:

3.5.1. Contribute to preparation and discussion of issues taken to Committee meetings.

3.5.2. Participate in the Committee’s decision-making by voting on items of agenda of its meetings.

3.5.3. Make reasonable decisions, study all necessary information (materials) to this end and make all Committee members aware of information relevant to decisions being made;

3.5.4. Notify the Committee chairman and/or the Corporate Secretary of inability to attend the next Committee meeting (absentee voting) specifying the reasons.

3.5.5. Make decisions on items of the Committee’s agenda acting in good faith and reasonably in the interests of the Bank’s shareholders and all parties involved in line with recommendations of the Corporate Governance Code recommended by the Bank of Russia and best international practice in corporate governance.

3.5.6. Fulfil requests of the Committee Chairman.

#### **4. MEMBERSHIP AND ELECTION OF COMMITTEE MEMBERS**

4.1. The Committee shall be formed of at least 3 (Three) members elected out of the Supervisory Board members who are not members of the Bank's executive bodies. The Committee must be composed exclusively of independent directors, otherwise most members of the Committee must be independent, and the other must be those Supervisory Board members who are not the sole executive body and (or) Management Board members.

The term "independent director", for the purposes hereof, shall have the meaning given to it in the Bank's Charter, Corporate Governance Code and Listing rules of "Stock Exchange MICEX" CJSC.

4.2. A majority of Committee members must have a degree in law or economics and/or experience in managing banking risks and organising payroll systems.

4.3. The Committee shall be chaired by an independent director qualifying under the independent director criteria set out in the Bank's Charter.

4.4. The Committee Chairman must, within 5 (Five) business days of occurrence of any event disqualifying him as independent director under the Charter, give notice thereof to the Supervisory Board.

4.5. Committee members shall be elected at a meeting of, out of the members of, and for the term until next elections by the General Shareholders' Meeting of the Bank to, the Supervisory Board. Resolution on election of Committee members shall be passed by a simple majority of votes of all the Supervisory Board members.

4.6. Committee members and may be re-elected an unlimited number of times.

4.7. The Supervisory Board may remove all or any Committee members before term.

4.8. Any Committee member shall be discharged before term in the following cases:

4.8.1. Upon resignation from the Committee. Any Committee member may resign from the Committee by giving 1 (One) month written notice thereof to the Chairman of the Supervisory Board and Committee Chairman.

4.8.2. Upon removal of such member by the Supervisory Board.

4.9. If any Committee member is discharged under cl. 4.8.1 hereof, the Supervisory Board shall, at the next meeting but no later than 1 (One) month of receipt by the Supervisory Board of the written resignation notice, elect a new member to the Committee. Until then, the resigning Committee member shall continue to perform his duties in full.

4.10. If any Committee member is discharged under cl. 4.8.2 hereof, the Supervisory Board shall, within 2 (Two) weeks of such discharge, elect a new Committee member.

#### **5. ELECTION AND FUNCTIONS OF THE COMMITTEE CHAIRMAN**

5.1. The Committee Chairman shall be elected out of the Committee members at a meeting of the Supervisory Board. Resolution electing the Committee Chairman shall be passed by a simple majority of votes of all Supervisory Board members. The Supervisory Board may at any time elect a new Committee Chairman by a simple majority of votes of all Supervisory Board members.

5.2. The Committee Chairman shall be elected out of the independent directors on the Supervisory Board elected to the Committee.

5.3. The Committee Chairman shall steer the Committee, which includes:

- calling of, and chairing, the Committee meetings;
- approving agenda of the Committee meetings upon consultation with the Committee members;
- defining the list of invitees to Committee meetings;

- arranging discussion of matters at, and hearings of invitees to, the Committee meetings;
- maintaining ongoing communication with the Bank’s executive bodies, Supervisory Board, Auditor, Audit Panel of the Bank, subdivisions and employees to obtain maximally complete and true information necessary for the Committee’s proceedings and to ensure efficient coordination with the Supervisory Board;
- assigning duties to Committee members; and giving them requests related to in-depth study of issues, and to preparation of materials, to be considered at Committee meetings;
- reporting the Committee’s proceedings to the Supervisory Board;
- performing other functions envisaged by the effective legislation, the Bank’s Charter, this Regulation and other by-laws of the Bank within the Committee’s competence.

## **6. FUNCTIONS OF THE COMMITTEE’S SECRETARY**

- 6.1. The Corporate Secretary of the Bank shall act as the Committee’s secretary.
- 6.2. The Committee’s secretary shall ensure:
- arrangement of Committee meetings;
  - collection and classification of materials for the meetings;
  - timely distribution of the Committee meeting notifications, agendas of the meetings and related materials to Committee members and invitees;
  - minuting of Committee meetings;
  - drafting of the Committee’s resolutions;
  - retention of Committee meetings’ materials;
  - delivery of any appropriate information to Committee members.

## **7. PROCEEDINGS OF THE COMMITTEE**

7.1. Any matters shall be discussed and decisions taken at the Committee meetings. Any decisions of the Committee shall be recommendatory.

7.2. The Committee meetings shall be called when necessary.

7.3. Committee meetings shall be held in person (by way of co-presence of Committee members at a meeting, in particular by means of a conference call or video conference call) or by absentee voting (by balloting Committee members on agenda).

7.4. Committee meetings may be called by the Committee chairman at his discretion, upon request of any Committee member, or any body or person entitled to request a Supervisory Board meeting to be called, or upon request of the Supervisory Board.

The agenda of meetings shall be set out by the Committee Chairman based on the Supervisory Board’s work plan, its requests or any other requests referred to above in this clause.

7.5. Notice of any upcoming Committee meeting shall be given by the Committee Secretary to each Committee member together with necessary materials at least 7 (Seven) calendar days before it is to be held (or, if to be held by way of absentee voting, before the last day for voting). This period may be shortened where any issues require urgent decisions, provided that none of the Committee members objects. To so object, a Committee member must notify the Committee chairman and/or Secretary in writing by mail, phone, email or otherwise.

7.6. Where the Committee is to make any decisions at an in-person meeting, the Committee members present thereat must express their opinion on the items of its agenda by voting. Any Committee members who cannot attend an in-person meeting or who participate in a meeting held by absentee voting may express their opinion on the items of its agenda in writing.

7.7. If any meeting of the Committee is held by absentee voting, the Committee members shall be provided with its agenda, appropriate materials and the draft resolution specifying the response deadline and a voting ballot.

7.8. Where a Committee meeting is held by absentee voting, voting ballots may be provided by the Committee Secretary one calendar day before the voting date with Committee members' written opinions on the items of its agenda.

7.9. The quorum for taking any actions by the Committee shall be constituted by at least a half of the Committee members.

The quorum of any in-person meeting shall be determined by count of the Committee members present thereat. The quorum of any meeting held by absentee voting shall be determined by count of ballots received from the Committee members by the date specified in the notice of meeting.

7.10. Any decisions shall be taken by a simple majority of Committee members' votes. Any Committee member who voted against any decision taken may have his written dissent entered in the minutes of the meeting.

7.11. The Committee may form working and/or expert groups to deal with any ongoing tasks or particularly complicated matters.

## **8. ACCOUNTABILITY OF THE COMMITTEE TO THE SUPERVISORY BOARD**

8.1. The Supervisory Board may at any time during a year require the Committee to report on the Committee's current activities. The deadlines for any such reporting shall be set by resolution of the Supervisory Board.

8.2. The Supervisory Board may instruct the Committee to opine on any particular matters, any such instruction to specify a reasonable deadline therefor.

8.3. The Committee may at its discretion submit its recommendations on any matter within its competence to, and, where required hereby, shall opine to, the Supervisory Board.

## **9. COOPERATION OF THE COMMITTEE WITH MANAGEMENT BODIES OF THE BANK AND OTHER PERSONS**

Whereas the Committee members need access to appropriate information to work effectively, members of the executive bodies, the Supervisory Board, members of the Audit Panel, the Auditor, heads of subdivisions and employees of the Bank shall, if so requested by, and within the deadlines reasonably set by, the Committee, provide complete and true information and documents relevant to the Committee's activities in a proper manner.

## **10. INSIDER INFORMATION**

10.1. Insider information is any substantial information on the Bank's business, shares, other securities and dealings therein which is not public and, if disclosed, may materially affect the market value of the Bank's shares or other securities.

10.2. Committee members and secretary may not make private use of, or disclose, insider or any other confidential information.

10.3. Any third parties to be engaged in Committee meetings shall sign an agreement on non-disclosure of insider and other confidential information.

## **11. THE COMMITTEE MEMBERS' LIABILITY**

Committee members shall be liable under the terms of the Federal Law "On Joint-Stock Companies" applicable to Supervisory Board members.

## **12. APPROVAL OF AND AMENDMENTS TO THIS REGULATION**

12.1. This Regulation and any amendments hereto shall be approved by the Supervisory Board by a majority of votes of all Supervisory Board members.

12.2. Any matters related to the Committee's proceedings, unless covered by this Regulation, shall be governed by the Bank's Charter, Regulation on the Supervisory Board, other by-laws of the Bank and effective legislation of the Russian Federation.

12.3. If any change in laws and regulations of the Russian Federation renders any provisions hereof in conflict therewith, such provisions shall become void and Committee members shall refer to such laws and regulations until amending this Regulation.

Chairman of the Supervisory Board  
of CREDIT BANK OF MOSCOW

William Forrester Owens