



Annex 1 to Board Resolution R-2025-22  
dated 30 April 2025



**BOARD DIRECTOR SELECTION, NOMINATION AND SUCCESSION POLICY  
OF XACBANK**

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Related legal documents	<ul style="list-style-type: none"> <li>▪ Company Law</li> <li>▪ The Corporate Governance Code of the Financial Regulatory Commission</li> <li>▪ The Corporate Governance Code of XacBank</li> <li>▪ The Internal Rules of Procedure of the Board of Directors of XacBank</li> </ul>
Scope	Board of Directors

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## **Article I. General Provisions**

- 1.1. The purpose of Board Director Selection, Nomination and Succession Policy (the “**Policy**”) is to ensure that the Board of Directors (the “**Board**”) of XacBank consists of members with the range of appropriate skills and qualities to meet the Board’s primary responsibility for providing strategic guidance and oversight of XacBank in line with the vision, mission and strategic objectives of XacBank and for protecting and promoting the interests of all shareholders and stakeholders.
- 1.2. The Policy outlines the process, guidelines, and procedures for the composition and renewal of the Board of XacBank, including the selection and evaluation of potential director candidates, as well as the nomination, re-nomination, election, and appointment of Board directors.
- 1.3. The Nomination Committee (the “**Committee**”) of XacBank shall administer the Policy.
- 1.4. This Policy shall be supplemental to the Charter of XacBank, the Board Internal Rules of Procedure, the Committee Charter and any matters that are not covered by this Policy shall be governed and regulated by the respective laws, regulations, policies and procedures.

## **Article II. Roles and Responsibilities**

- 2.1. The Board of Directors is ultimately responsible for the governance and strategic direction of XacBank. In this regard, the Board shall have the following responsibilities:
  - 2.1.1. Approving policies and procedures applicable for the selection and evaluation of potential director candidates, as well as the nomination, re-nomination, election, and appointment of Board directors;
  - 2.1.2. Ensuring the composition of the Board reflects a balance of skills, experience, and diversity;
  - 2.1.3. Overseeing the processes under this Policy and ensuring it aligns with XacBank's overall strategy and governance framework;
  - 2.1.4. Discuss the Committee recommendations regarding the nomination or re-nomination of directors;
  - 2.1.5. Appointing interim directors, if required; and
  - 2.1.6. Ensuring compliance with applicable laws, regulations, and corporate governance standards.
- 2.2. The Committee shall have the following responsibilities:
  - 2.2.1. Periodically reviewing and drafting for the Board review and approval, the policies and procedures applicable for the selection and evaluation of potential director candidates, as well as the nomination, re-nomination, election, and appointment of Board directors;
  - 2.2.2. Identifying suitable candidates for Board positions based on established criteria;

- 2.2.3. Conducting preliminary screenings and interviews of potential candidates;
- 2.2.4. Upon discussions with the Board in accordance with Article V, making recommendations to the Shareholders regarding the nomination and re-nomination of directors;
- 2.2.5. Making recommendations to the Board regarding the interim appointment of directors;
- 2.2.6. Overseeing the induction and ongoing training of directors;
- 2.2.7. Ensuring that an effective succession planning process is in place for directors; and
- 2.2.8. Any other responsibilities intrinsically connected to fulfilling its duties under this Policy.

### **Article III. Composition of the Board**

- 3.1. The Board of XacBank shall be of an appropriate composition that allows to incorporate a variety of perspectives and skills, and to represent the best interests of XacBank as a whole rather than of individual shareholders or interest groups and, at the same time, ensures effective decision-making.
- 3.2. The Committee shall assess the needs of the business currently and going forward and review the composition of the Board to ensure that the Board is structured in a way that the Board:
  - 3.2.1. Has a proper understanding of, and competence to deal with, the current and emerging issues of the business;
  - 3.2.2. Has an appropriate balance of executive and non-executive mix;
  - 3.2.3. Exhibits strong independence and the ability to exercise impartial judgment;
  - 3.2.4. Encourages enhanced performance of XacBank; and
  - 3.2.5. Can effectively review and, where appropriate, challenge the performance of management.

### **Article IV. Board Directorship Criteria**

- 4.1. The Committee shall assess potential new candidates for nomination to the Board based on the following criteria:
  - 4.1.1. Broad-based banking experience, other business experience and competence in the industries and sectors relevant to XacBank's business and specific expertise;
  - 4.1.2. Candidates must demonstrate the highest standards of integrity and ethical behavior;
  - 4.1.3. Candidates must be able and willing to devote sufficient time, energy, and attention to fulfill their responsibilities as a director;

- 4.1.4. Candidates must align with XacBank's core values, mission, and code of conduct and demonstrate a commitment to promoting the interests of all shareholders; and
- 4.1.5. Candidates must not be a Politically Exposed Person as defined in the Law of Mongolia on Regulating Public and Private Interests in Public Service and Preventing Conflicts of Interest.
- 4.2. Any candidate for a Board director, both prior to and subsequent to their election/re-election or appointment as a director and during the entirety of their tenure, must meet the following Banking Law requirements for directors:
  - 4.2.1. no overdue debt obligations arising from loans, guarantees, or warranty agreements;
  - 4.2.2. have not been convicted of economic crimes, corruption, and crimes against property rights, public safety, public interests, national security, humanity or peace;
  - 4.2.3. ethical and business reputations must not conflict with their ability to manage XacBank;
  - 4.2.4. if a candidate holds a governing position in another professional financial market organization, then it would not create conflicts of interest that could negatively impact the decision-making processes of XacBank. For the purpose of this clause, a candidate is deemed to have a conflict of interest if they meet any of the following conditions:
    - i. they are or were, within the last 12 months, a governing person, employee, or shareholder with 1% or more of the issued shares of a bank in Mongolia, excluding XacBank; or
    - ii. they are or were, within the last 12 months, a governing person, employee, or influential shareholder (shareholder with 5% or more of the issued shares) of a Financial Group (excluding TFG, the holding company of XacBank), NBFi, or loan aggregator in Mongolia, whose total assets constitute 2% or more of the total assets of XacBank.
  - 4.2.5. If a candidate has previously held a governing position in a bank or non-bank financial institution at the time its license was revoked due to violations, at least three years must have passed since the revocation;
  - 4.2.6. If a candidate has been held accountable under the Law on Violations while holding a governing position in a professional financial market organization, at least three years must have passed since the imposition of such accountability;
  - 4.2.7. Must hold at least an undergraduate degree in banking, finance, economics, law, information technology, or corporate governance, with at least ten years of professional experience, including a minimum of five years in a governing position in a bank or financial institution; and
  - 4.2.8. Must have completed training in corporate governance and obtained a certification.

- 4.3. A candidate for an independent director, both prior to and subsequent to their election/re-election or appointment as a director and during the entirety of their tenure, must fulfill the following Banking Law and Company Law requirements in addition to the requirements stated in Clause 4.2 of this Policy:
- 4.3.1. Must not personally or jointly with related parties own more than five percent of XacBank common shares or any of its group companies' shares;
  - 4.3.2. Must not have held any governing position other than an independent member of the Board of Directors at XacBank or any of its group companies in the past five years, nor been employed by them in any other capacity in the past three years;
  - 4.3.3. Must not have received or currently receive any bonuses based on the performance indicators of XacBank;
  - 4.3.4. Must not hold any political or public office in the governmental organizations other than the Service Roles as defined in the State Personnel Law of Mongolia;
  - 4.3.5. Must not have any circumstances that would impede his/her supervision of XacBank's operations or executive management;
  - 4.3.6. Must not have held a governing position in legal entities that become bankrupt or insolvent; if such positions were held, then must have proof that the bankruptcy or insolvency was not caused by their actions;
  - 4.3.7. Must not be a related party to an influential shareholder of XacBank or any of its group companies;
  - 4.3.8. Must not be a related party to anyone who holds or has held any position at XacBank or any of its group companies in the past three years; and
  - 4.3.9. Must not have any business relations with XacBank.
- 4.4. When selecting from among the candidates, the following conditions will be considered an advantage:
- 4.4.1. Preferred residency in Mongolia;
  - 4.4.2. In case the target for gender equality has not been reached, candidates of the underrepresented gender;
  - 4.4.3. Relevant skills complementary to the other Directors;
  - 4.4.4. Recognized reputation in the international and/or Mongolian business community and society, and significant experience and proven accomplishments in professional endeavors; and
  - 4.4.5. Ability to fulfil long-term leadership needs and contribute to governance continuity in line with XacBank's succession planning goals.
- 4.5. Based on the assessment of the current Board's skills, experience, and expertise, the Committee may recommend refinement or more specific selection criteria, in addition to identifying any additional criteria deemed necessary for director selection, to the Board for approval.

## **Article V. Nominations/Re-Nominations of Non-Shareholder Nominee Directors**

- 5.1. The Committee shall identify, review, and recommend qualified candidates for non-shareholder nominee directors for election to the Board through open announcements and/or other methods. This process shall commence latest by the third quarter of the year preceding the Annual General Meeting at which Board elections are scheduled. The Committee may engage third-party advisors during the identification process.
- 5.2. Upon identification of a long list of candidates, the Committee shall initiate the initial screening process. All members of the Board shall be invited to participate in this stage. Any candidate who is clearly not in compliance with the eligibility requirements, as set forth in the Company Law and the Banking Law, shall be eliminated at this stage. The initial screening meeting shall be formally recorded as a Committee meeting. During this stage, the Committee shall begin collecting documentation to support the candidate's eligibility.
- 5.3. The Committee then shall evaluate all candidates for non-shareholder nominee directors using the criteria outlined in this Policy. The evaluation process may include interviews with the Committee members and other Board members, background checks, and discussions with references or third-party evaluators.
- 5.4. Prior to submitting to the Bank of Mongolia for approval and to the Shareholders meeting their final recommendation, the Committee shall consult with the Board their final slate of nominees. For the purpose of this consultation, the Committee shall provide to the Board a comprehensive report containing its evaluations and proposed recommendations. In preparing this report, the Committee shall identify its recommended nominees based on its evaluation findings. The report shall include:
  - 5.4.1. Report on the process and timeline of shortlisting, the rationale for selecting or not selecting potential candidates, including a summary of each candidate's qualifications and how they align with the strategic needs of XacBank;
  - 5.4.2. Each shortlisted candidate's due diligence report detailing background checks, references, and potential risks or concerns identified during the vetting process;
  - 5.4.3. Feedback and input, if any, received from key stakeholders, regarding the potential candidates;
  - 5.4.4. Whether the candidate expressed their willingness to serve on the Board if elected;
  - 5.4.5. Any potential conflict of interest identified during the process and steps taken to mitigate such conflicts; and
  - 5.4.6. any other factors that influenced the Committee's decisions.
- 5.5. Upon reaching an agreement with at least a super majority (two-thirds) of the members of the Board of the Bank, the Committee shall promptly submit the full slate of nominations to the Bank of Mongolia, together with a request for regulatory consent in accordance with applicable laws and procedures.
- 5.6. The Committee will not recommend any candidate unless they have confirmed their commitment of sufficient time to fulfil their board and committee responsibilities and willingness to sign the Director's Agreement, as effective from time to time, prior to



confidential information being shared or attending the Board and/or committee meetings, if elected by the shareholders as a director.

- 5.7. If the Bank of Mongolia's consent for a candidate elected by the shareholders meeting is received after the shareholders' meeting, such candidate shall be deemed as a director only after receiving the Bank of Mongolia's approval. If the Bank of Mongolia does not grant consent, the seat shall be deemed vacant and shall be filled in accordance with the provisions of Article VII.

#### **Article VI. Nominations/Re-Nominations of Shareholder Nominee Directors**

- 6.1. A shareholder holding 5% or more of the total and outstanding shares may nominate candidates for election to the Board in accordance with the procedures set forth in the Company Law. Nominations must be submitted to the Bank in strict compliance with the provisions of the Company Law including the timeframe specified in the said law (within 60 days after the end of preceding financial year) and must include the following information:
- 6.1.1. the candidate's name (given name and surname) and number of shares owned in XacBank, if any;
  - 6.1.2. the nominating shareholder's name (given name and surname) and number of shares owned in XacBank;
  - 6.1.3. if applicable, reasons for nomination/re-nomination; and
  - 6.1.4. Any other information required by the Company Law, as amended from time to time.
- 6.2. Nominations must be accompanied by substantially complete supporting documentation suitable for submission to the Bank of Mongolia.
- 6.3. Unless there is a clear violation of the requirements set forth in Section 66 of the Company Law or Sections 32.1 and 33.3 of the Banking Law, the Committee shall register candidates submitted by shareholders and forward such nominations directly to the Bank of Mongolia for approval and to the Board for inclusion in the shareholders' meeting agenda, in accordance with Section 66.5 of the Company Law. Shareholder-nominated candidates shall be automatically included in the final slate of nominees for the shareholders' meeting.
- 6.4. Any remaining or additional documents must be submitted to the Bank of Mongolia without delay. The Bank shall not be held responsible if the nominee or the nominating shareholder fails to provide the necessary documentation in time for the Bank of Mongolia's consent.
- 6.5. Shareholder-nominated candidates must confirm their commitment of sufficient time to fulfil their board and committee responsibilities and willingness to sign the Director's Agreement, as effective from time to time, prior to confidential information being shared or attending the Board and/or committee meetings, if elected by the shareholders as a director or chosen by the Board as an interim director.
- 6.6. If the Bank of Mongolia's consent for a candidate elected by the shareholders meeting is received after the shareholders' meeting, such candidate shall be deemed as a director only after receiving the Bank of Mongolia's approval. If the Bank of Mongolia does not

grant consent, the seat shall be deemed vacant and shall be filled in accordance with the provisions of Article VIII.

#### **Article VII. Disclosure to the Shareholders**

- 7.1. Candidates nominated by the Committee and those nominated by shareholders shall be presented to the shareholders' meeting for election to the Board.
- 7.2. Candidates submitted for re-election as Directors shall be presented to the shareholders' meeting along with a summary of their total term of service on the Board, a comprehensive report of their activities and accomplishments, and an evaluation of their performance during the preceding term.
- 7.3. The process used to determine the independence of any candidate nominated for an independent directorship, as well as any potential involvement of the candidate as a governing person in other entities, shall be clearly explained at the shareholders' meeting.

#### **Article VIII. Succession Planning and Interim Vacancy**

- 8.1. The Committee shall be responsible for reviewing and recommending succession plans for the Board Chair, Committee Chairs, and other key leadership roles on the Board. These recommendations shall take into account the Bank's long-term strategic direction, leadership needs, and governance continuity.
- 8.2. In the event of an unplanned vacancy on the Board, the Board may appoint an interim director in accordance with the applicable laws upon recommendation by the Committee. Any interim appointee must meet all legal and regulatory requirements applicable to the vacant position.
- 8.3. Where the vacated seat was previously filled by a nominee of a shareholder, the respective shareholder may submit a new nomination to fill the vacancy. The Board shall review the nomination in accordance with applicable laws and this Policy.

#### **Article IX. Miscellaneous**

- 9.1. All discussions, evaluations, and deliberations related to the nomination/re-nomination of directors shall remain confidential. Committee members, directors, and other participants in the process shall maintain confidentiality.
- 9.2. Any director, officer, or committee member who becomes aware of their potential conflict of interest in relation to a nominee must disclose such interest at the earliest possible opportunity and recuse themselves from the nomination deliberation and voting process concerning the nominee.
- 9.3. The recommendations and resolutions of the Nomination Committee shall be adopted by a super majority (two-thirds) of votes of committee members participating in the meeting.

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