



Annex 2 to XacBank Board Resolution R-2025-21
dated 30 April 2025



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

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

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Article I. Committee Purpose

- 1.1. The Governance and Compensation Committee (the “Committee”) of XacBank JSC (the “Bank”) is created by the Board of Directors (the “Board”) to ensure effective corporate governance practices and to oversee the compensation structures and policies for the Bank's directors, executive management, and key personnel. The Committee ensures the alignment of compensation with the Bank’s strategic objectives, risk management practices, and long-term shareholder interests.

Article II. Committee Organization and Structure

- 2.1. The Committee shall be composed of at least 6 (six) members of the Board of Directors, 2/3 of whom should be independent, non-executive directors.
- 2.2. The Committee Chair shall be recommended by the Board Chair and elected by the Committee members from the Committee members. The recommendation of the Board Chair is not binding on the committee members.
- 2.3. If the Committee Chair is not present at any meeting, the Committee Chair can nominate a Chair for that meeting. If the Committee Chair has not nominated any member to chair the meeting, members present shall designate one among them to serve as acting Chair for the duration of that meeting.
- 2.4. Committee members should collectively possess diverse skills, experience, and knowledge relevant to the Bank’s goals and strategy, including familiarity with corporate governance, talent management, and organizational development. Each member should maintain up-to-date knowledge of relevant regulatory and governance trends.
- 2.5. The Board appoints Committee members for a term it deems appropriate, with possible reappointment. The Board retains the authority to remove or replace any Committee member or the Committee Chair at any time, with or without cause.

Article III. Committee Duties and Responsibilities

- 3.1. The Committee, in fulfilling its governance role, shall undertake the following primary responsibilities, including but not limited to:
 - 3.1.1. reviewing, recommending, and overseeing the implementation of corporate governance policies and procedures, and regularly reviewing and recommending amendments to the Bank’s governance-related documents, including the Board Rules, Committee Charters, and the Code of Conduct;
 - 3.1.2. monitoring compliance with corporate governance standards, regulatory requirements, and ethical practices, including but not limited to the Bank of Mongolia Governance Regulation and the Corporate Governance Code of the Financial Regulatory Commission, reporting regularly to the Board, and reviewing, endorsing, and recommending to the Board the Bank’s annual Corporate Governance Statement for inclusion in the Annual Report, ensuring accuracy, completeness, and regulatory compliance;

- 3.1.3. periodically evaluating and proposing improvements to the Board's size and structure to ensure effective oversight and alignment with the Bank's governance and strategic direction;
 - 3.1.4. reviewing, monitoring, and managing conflicts of interest involving Directors and executive management, ensuring timely declaration, documentation, appropriate resolution, and disclosure in compliance with regulatory requirements, good corporate governance principles, and the Bank's Conflict of Interest and Related Party Transaction Policy; overseeing the processes to determine and maintain Director independence, particularly for independent Directors; and
 - 3.1.5. reviewing and overseeing the Bank's general policy on insider trading.
- 3.2. The Committee, in fulfilling its compensation-related role, shall undertake the following primary responsibilities, including but not limited to:
- 3.2.1. developing and recommending to the Board the Bank's overall compensation policy for the achievement of the Bank's strategic objectives and shareholders' interests;
 - 3.2.2. developing and recommending to the Board the Bank's annual compensation structures, including fixed salaries, performance-based incentives, equity-based incentives, and other forms of variable compensation for the Chief Executive Officer (the "CEO"), executive management, and other employees;
 - 3.2.3. reviewing and recommending to the Board the compensation framework and related policies for Directors, for the achievement of the Bank's strategic objectives, regulatory guidelines, and shareholder interests;
 - 3.2.4. periodically benchmarking compensation practices against relevant industry standards and recommending appropriate adjustments to the Board;
 - 3.2.5. reviewing and recommending to the Board annual performance objectives for the CEO, evaluating actual performance against the approved objectives, and recommending the size of performance-based incentives such as bonuses and LTIP based on the evaluation; and
 - 3.2.6. negotiating, determining, and recommending to the Board for approval the terms and conditions of the CEO's compensation to be incorporated into the CEO's employment agreement.
- 3.3. The Committee may have separate policies or procedures for specific aspects of its duties and responsibilities, provided that they are approved by the Board and remain consistent with this Charter. These policies shall form an integral part of this Charter, and the Committee shall strictly comply with them. The Committee shall be held accountable to the Board in relation to a breach of this Charter and any such policy or procedure.

Article IV. Meetings and Procedures

- 4.1. Matters pertaining to the meetings and procedures of the Committee shall be governed under the Board Internal Rules of Procedure of the Bank.

- 4.2. The recommendations and resolutions of the Committee shall be adopted at a committee meeting by a super majority (two-thirds) of votes of committee members participating in the meeting.

Article V. Reporting

- 5.1. The Committee Chair (or a designated member) shall regularly report to the Board on the Committee's activities, findings, and recommendations.

Article VI. Miscellaneous

- 6.1. This Charter shall be reviewed biennially by the Committee to ensure it remains aligned with regulatory requirements, governance best practices, and the organization's evolving needs. The Committee shall recommend any proposed changes to the Board for approval.

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