

**CORPORATE GOVERNANCE  
POLICY**

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## Purpose

The purpose of the Corporate Governance Policy (hereinafter the “Policy”) is to provide guidance to the governing bodies and relevant employees of “PASHA Insurance” OJSC (hereinafter the “Company”, “we” and “us”) and is intended to communicate general concepts, principles, directions, and requirements for implementing the best corporate governance practices in the Company.

## 1. Terms and Abbreviations

### 1.1. Terms

The following terms are used in the Policy:

**Executive Director** - a member of the Executive Board (EB) who has executive responsibilities in the management structure;

**Governing Bodies** – for the purposes of this Policy, the Supervisory Board (SB) (or Board of Directors – can be used interchangeably), relevant committees of the Supervisory Board (or Board of Directors) and the Executive Board;

**Non-Executive Director (NED)** - a member of the Supervisory Board without executive responsibilities in the Company, a director who is not involved in day-to-day activities of the Company;

**Administrator** – for the purposes of this Policy, a member of the Governing Bodies;

**Stakeholder** - a person, group, or organization that has interest or concern in an organization. Some examples of key stakeholders are shareholders, directors, employees, customers, creditors, government (and its agencies), suppliers, and the community from which the business draws its resources;

**Two Tier Board** - board structure in which responsibilities are divided between a supervisory board of non-executive directors led by the chairman and a board of executive directors led by the CEO.

### 1.2. Abbreviations

The following abbreviations are used in the Policy:

**CEO** - Chief Executive Officer or a chairman of the Executive Board;

**CRO** - Chief Risk Officer or a member of the Executive Board acting as CRO;

**CFO** - Chief Financial Officer or a member of the Executive Board acting as CFO;

**GMS** - General Meeting of Shareholders;

1.3. Any terms used in this Policy, but whose meanings are not reflected in this clause, shall be used in their meanings in accordance with first applicable legislation, then definitive dictionary.

## 2. INTRODUCTION

The purpose of the Corporate Governance Policy is to define basic corporate governance principles for “PASHA Insurance” OJSC and provide guidance to the Company’s governing bodies with respect to raising and maintaining standards and best corporate governance practices in the Company.

By adopting and complying with the Policy, the Company confirms its desire to demonstrably lead and promote good corporate governance. In order to foster the confidence of its stakeholders, the Policy goes beyond the established legal and regulatory framework and embraces both nationally and internationally recognized corporate governance principles and practices.

The Company defines corporate governance as a set of structures and processes for the direction and supervision of the Company, which involves a set of relationships between the Company's shareholders, the Supervisory Board, and the Executive Board with the purpose of creating long-term shareholder value. It views corporate governance as a mean to improve operational efficiency, attract financing at a lower cost, and build a better reputation. It also views a sound system of corporate governance as an important contribution to the applicable laws and an important determinant of the role of the Company in a modern economy and society.

The Company demonstrates its commitment to the best corporate governance standards by developing and furthering:

- Responsible, accountable, and value-based management;
- Effective oversight and executive bodies that act in the best interests of the Company, seek to enhance shareholder value in a sustainable manner; and
- Appropriate information disclosure and transparency, as well as an effective system of risk management and internal control.

The Policy is reviewed on a 3-year basis in the context of changing regulation, emerging best practices and after approval of new strategy with a view to enhancing the Company's governance.

The Policy is classified as public and published on the Company's website.

### **3. BACKGROUND**

"PASHA Insurance" OJSC is a subsidiary of PASHA Holding - a diversified investment group with interests in banking, insurance, property development, construction, tourism, and other sectors, operating in Azerbaijan, Georgia, and Turkey.

#### **Vision**

We strive to provide our customers with easy and accessible insurance services for the secure future.

#### **Mission**

We offer tailored insurance solutions relying on our professionalism by assuring confidence and ensuring the highest quality.

### **4. VALUES OF CORPORATE GOVERNANCE**

The Company honors and recognizes all the general values for good corporate governance:

- **Integrity:** At the core of our business stands the unshakeable commitment to integrity. For us, it means doing what is right. Every time. All the time. Even when no one sees you. At the very basic level, it is about respecting the laws and regulations of the country we operate in. It is about upholding our company's code of conduct even in the face of challenges. It means never sacrificing company interests for personal gains. It means being honest with ourselves, our colleagues, clients and partners and earning their trust.
- **Profitability:** We generate profits for the benefit of our shareholders and the society at large. In fact, it is today's profit that lays the foundation of the sustainable business and serves for maintaining the competitive edge. Our staff understand that value comes not only in every manat earned but also every manat saved. However, in the pursuit of short-term business goals we

never lose sight of our long-term aspiration – to create and maintain a sustainable global business. And this aspiration drives every strategic decision we make.

- **Entrepreneurship:** The world around is constantly changing, so we often have to operate in ambiguity. We seek new opportunities and are ready to take bold steps – do things and go places others don't dare to. We don't fear challenges but view them as opportunities to grow. We are unafraid to take a personal responsibility for going an extra mile or doing something new. Our staff treat the company with care, passion, prudence – just like they would treat their own business.
- **Quality:** The outside world will always judge us by the quality of the product or service we deliver. And the quality of our work is directly proportional to the dedication and professionalism of our staff. There is no way around it. That is why we always follow the standards we set. That is why we deliver what we promise - day in, day out – carefully balancing quality with efficiency for optimal results. That is why we try new things and strive to learn and improve - as individuals and as an organization.
- **Collaboration:** When we work as one team across departments, business units, and countries we produce phenomenal results. When we collaborate with clients, partners and suppliers we far exceed market expectations. The impact of these synergies far surpasses that of any individual contribution. Collaboration creates a sound working environment and leads to higher efficiency. It accelerates problem-solving and enables innovation. It nurtures trust and respect

The members of the Supervisory Board, the Executive Board, and every employee of the Company act in accordance with all applicable laws and regulations and comply with ethical standards of business conduct as defined by the Company's Code of Ethics.

## 5. GENERAL GOVERNANCE STRUCTURE

The Company has a two-tier corporate governance structure, which means that there is a Supervisory Board composed solely of non-executive directors and an Executive Board composed solely of executive directors of the Company.

The Supervisory Board and the Executive Board hold primary responsibility for implementing and maintaining effective corporate governance within the Company. They are responsible for the Company to have a well-defined organizational structure, which ensures allocation of responsibilities, effective identification of risks, management, monitoring and reporting procedures and practices, adequate internal control mechanisms, including robust administrative and accounting procedures, effective IT systems and controls for risk management, remuneration policies and procedures.

The Supervisory Board is responsible for general oversight of the Company and of the Executive Board, ensuring that the Supervisory Board members receive adequate and sufficient information from Executive Board, including explanations and confirmation that Executive Board activities are in full compliance with the strategies, risk appetite, and Company's internal control mechanisms.

The Supervisory Board members are appointed and dismissed from office by General Meeting of Shareholders. The Supervisory Board is led by the Chairman. It advises the Executive Board and must be involved in decision-making on all fundamental matters affecting the Company.

The Executive Board is responsible for managing the Company. It is led by the Chairman of the Executive Board, who is the CEO. Its members are appointed and dismissed from office by the Supervisory Board.

The Supervisory Board, consisting entirely of non-executive directors (the “NEDs”) includes:

- The representative of shareholders;
- Independent director/s/; and
- Any other person (s) matching the legal requirements for membership.

The Executive Board at all times consists of at least three executive directors.

The Company, at the time of approval of the Policy, has the following governing bodies:

- General Meeting of Shareholders;
- Supervisory Board;
- Supervisory Board Committees;
- Audit Committee
- Executive Board;
- Executive Board Committees;

Control functions of the Company are following: Internal Audit; Risk Management; Compliance; Corporate Secretary.

The Supervisory Board shall ensure that the internal control functions are properly positioned and supported and that they carry out their responsibilities independently, objectively, and effectively.

## **6. THE SUPERVISORY BOARD**

### **6.1. Role and Responsibilities of the Supervisory Board**

The Supervisory Board is the key decision-making body of the Company, responsible to shareholders for creating and delivering sustainable shareholder value by providing entrepreneurial leadership and direction to the Company. The Supervisory Board approves the Company’s values, vision, mission, and ensures that the Company is managed in full compliance with the principles of fairness, competence, professionalism, and business ethics. The Supervisory Board is responsible to develop the organizational and governance structure in a way that eliminates potential conflicts of interest and ensures that no individual or group of individuals have unlimited decision-making powers. The Supervisory Board approves the Code of Ethics and continuously assesses the role of the Executive Board in establishing and fostering an ethical environment and culture. The Supervisory Board determines the strategic objectives and monitors their execution, together with CEO and Risk Management Committee and other members of the Executive Board defines the Company’s risk appetite, monitors the activities of the Executive Board, ensures that members of the Supervisory Board receive sufficient information, including assurances from the Executive Board that the Company’s activities are fully in line with the Company’s strategy and risk appetite statement, ensures the effectiveness and independence of control functions, implementation, and maintenance of effective management processes that involve the development of relevant strategies and procedures concerning the maintenance of business continuity in the Company. The Supervisory Board monitors transactions with the related parties and for this purpose ensures the existence of appropriate policies and procedures

in the Company. The Supervisory Board assesses non-financial, including environmental and social risks along with financial risks.

The Supervisory Board provides overall strategic direction within a framework of rewards, incentives, and controls, demonstrates ethical leadership, and promotes the collective vision of the Company's purpose, values, culture, and behaviors. Members of the Supervisory Board act in a way they consider, in a good faith, will promote the success of the Company for the benefit of the shareholders as a whole and, in doing so, have regard for other stakeholders as well.

The Supervisory Board has a duty to act in accordance with its powers, the Company's Charter and the Supervisory Board's Regulation, and only exercise powers for the purposes for which they are conferred.

The Company's Supervisory Board as a whole or its individual members can delegate their duties and responsibilities to others if not prohibited by under respective legislation. This restriction does not apply in cases when the Supervisory Board delegates its duties and responsibilities to the Supervisory Board committees and when such delegation is permissible or not prohibited under respective legislation.

## **6.2. Supervisory Board Membership Criteria**

The Supervisory Board seeks members with extensive experience and expertise and a reputation for integrity. Members of the Supervisory Board should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions they can make to the Supervisory Board and their ability to represent the interests of shareholders. The Supervisory Board will also take into account the diversity of a candidate's perspectives, background, and other demographics.

The Supervisory Board membership criteria and appointment process is regulated by the requirements of insurance legislation.

## **6.3. Supervisory Board Composition, Size and Term of Office**

The Supervisory Board composition (competencies, skills, and appropriate mix) is adequate for oversight duties and the development of the Company's direction and strategy. Each individual member of the Supervisory Board has the experience, knowledge, qualifications, expertise, and integrity necessary to effectively discharge their duties and enhance the Supervisory Board's ability to serve the long-term interests of the Company and its shareholders.

The Company's Supervisory Board shall be composed of at least three Supervisory Board members/non-executive directors provided that the number of the members shall be odd at all times. The current size of the Supervisory Board may be revised from time to time to reflect the changing needs of the business.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders with a maximum term of three years. The authority of the Members of the Supervisory Board shall be extended until the next General Meeting. Any member whose term of office ends can be reelected. Early termination of the authority of the Supervisory Board Member shall be made based on a decision taken solely by the General Meeting of Shareholders.



Replacement of the Supervisory Board members shall take place in different periods according to the rotation plan to avoid a simultaneous replacement of the members of the Supervisory Board.

#### **6.4 Nomination Process**

The Supervisory Board is responsible to develop and present for approval to the General Meeting of Shareholders a formal, rigorous, and transparent procedure for the appointment of the Supervisory Board members. The procedure of identifying candidates for membership shall be transparent so that the shareholders can see what type of person the Company is looking for and why a particular individual has been appointed. The search for new members of the Supervisory Board is conducted by the Nomination and Remuneration Committee of the Supervisory Board. The Chairman of the Supervisory Board and members of the Nomination and Remuneration Committee interview each potential new member, who has typically been identified with the assistance of external search consultants, before their appointments are recommended to the General Meeting of Shareholders for approval. The Nomination and Remuneration Committee is responsible for considering succession planning for non-executive as well as executive directors, for conducting an annual review of succession planning and proposing changes to the process as necessary.

Factors considered by the Nomination and Remuneration Committee and the Supervisory Board in its review of potential candidates include:

- Prominence in business, institutions, or professions;
- Integrity, honesty, and the ability to generate public confidence;
- Demonstrated sound and independent business judgment;
- Financial literacy and experience with financial institutions;
- Risk management experience;
- The professional experience required to contribute to the Supervisory Board committees;
- The ability to devote sufficient time to the Supervisory Board and committee work;
- Residency in and familiarity with the geographic regions where the Company carries on business;
- The competencies and skills that the Supervisory Board considers each existing member to possess.

**Independence.** The Supervisory Board ascertains which member is to be deemed independent. The Company may decide to appoint independent Supervisory Board members, if so he/she should meet below requirements:

Independent member means a member, when he/she or his/her close relatives (defined by insurance legislation):

- Is not a close relative (defined by insurance legislation) of administrators of the Company or of Company's related parties;
- Is not a close relative (defined by insurance legislation) of the person(s), who directly or indirectly hold any shares of the Company or of the Company's related parties;
- Does not receive additional remuneration from the Company other than fixed fee for membership of the Supervisory Board and the Supervisory Board committees;

- During last two years, did not conduct business or did not have any other types of material business/commercial relationships with the administrators of the Company or the Company's related parties;
- During last two years, did not conduct business or did not have any other types of material business/commercial relationships with the person who directly or indirectly holds significant shares in the Company or in the Company's related parties;
- Does not have any kind of material liability (including financial one) towards the Company, the Company's administrators, the Company's significant shareholder or any other type of material / financial interest (including property, investment) in the Company or in the Company's related parties);
- During the past five years did not have professional or other kind of working relationship (including business services, etc.) with the Company and with the Company's related parties, with the administrators and significant shareholders (exception is the case when a person performs non-executive functions or occupies non-executive position);
- Has not been employed by the Company within the last five years other than as member of the Supervisory Board or Supervisory Board committees;
- Is not related to a non-profit organization that receives significant funding from the Company or from the Company's related parties;
- Is not, nor in the past five years has been, related to a present or former auditor of the Company or of a related party;
- Is not a member of the executive body of the Company or Company's related parties;
- Does not own any shares of the Company;
- Has not served on the Supervisory Board for more than nine years since the date of his first election;

The Supervisory Board has also concluded that the following behaviors are essential for all Supervisory Board members and will assess its members against these criteria:

- Provides an objective challenge to management;
- Is prepared to challenge others' assumptions, beliefs, or viewpoints as necessary for the good of the Company;
- Questions intelligently, debates constructively, challenges rigorously, and decides dispassionately;
- Is willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the Company; and
- Has a good understanding of the Company's businesses and affairs to enable them to properly evaluate information and responses provided by management.

## **6.5. Restrictions**

A person shall not be eligible to be elected to the Supervisory Board and based on a decision of the General Meeting of Shareholders excluded there from if such person:

- Is a member of the Supervisory Board or Executive Board in more than 3 other companies registered in Azerbaijan;
- Is an administrator in any other commercial company registered in Azerbaijan, except for the case when he/she occupies administrator's position in a company subject to control by the given company or the Company which is controlling the given company;

- Has been deprived of the right to be a member of the Supervisory Board under legislation;
- Has taken part in any operation or transaction that has resulted in a substantial loss for a commercial company and, or lead the commercial company to insolvency or bankruptcy;
- Has engaged in abusive practice when acting as an administrator of a commercial company;
- Has previously served as an administrator of a commercial company, and as the result of his or her activities, the commercial company has become insolvent;
- Failed to fulfill any financial obligation to a bank or other financial institutions;
- Has been declared bankrupt;
- Has been convicted of a serious crime, terrorism financing, and/or legalization of illicit income or other economic crimes;
- Has been recognized inactive (unable to discharge his/her duties) by the court;
- Does not have sufficient knowledge and experience to carry out his/her duties. The level of the administrator's knowledge and experience must be in accordance with the scope and complexity of the company and his/her duties;
- Has close relatives (defined by insurance legislation) among administrators of Company administrators;
- Is serving in the government or municipal body (except for the cases stipulated by the legislation);
- Or due to other restrictions of legislation.

The members of the Supervisory Board shall limit their work on other positions in order to ensure due performance of their duties as the members of the Supervisory Board.

The Supervisory Board members shall inform the Chairperson of the Supervisory Board about other positions (before occupying this position) that may be of importance to the Company or for the fulfillment of their obligations. If the Chairperson determines that there is a risk of a conflict of interest, the matter shall be discussed by the Supervisory Board.

The same restrictions are as well legally binding to members of the Executive Board.

## **6.6. Board Meetings and Attendance**

- The Supervisory Board meetings shall be held in such frequency as it is necessary for the relevant functioning of the Supervisory Board. The meetings of the Supervisory Board shall be held at least once in a quarter.
- The Chairperson of the Supervisory Board calls the Supervisory Board Meetings. Extraordinary Supervisory Board meetings can be called by Chairman of Supervisory Board, each member of Supervisory Board, CEO and First Deputy CEO, Audit Committee and regulatory body.
- The Supervisory Board collectively is responsible for setting its own agenda. In practice, an Annual Calendar of board meetings is circulated at the beginning of the financial year and all directors have the opportunity to propose items for the agenda via the chairman of Supervisory Board and Corporate Secretary.
- A regular term for calling the Supervisory Board Meeting shall be set by the Supervisory Board's decision and it may change only upon its sole discretion. Invitations shall be sent via different means, including electronically before the meeting. The written explanation and/or other relevant documentation related to each issue of the agenda shall be attached to the agenda.

- In case of indispensable necessity and due to the best interests of the Company it may be possible to use a shorter timeframe for calling the meeting of the Supervisory Board. In this case, the notification shall be sent a minimum two working days before the meeting provided that the Supervisory Board members do not object to such accelerated terms. If the meeting is called within the accelerated terms, the members of the Supervisory Board shall receive the explanatory note from the management explaining the reasons and necessity of calling the meeting within such accelerated terms.
- Agenda of the Supervisory Board meeting is prepared by Corporate Secretary and agreed with Chairperson of the Supervisory Board before sharing with meeting attendees.
- Each member of the Supervisory Board, the Chairperson of the Executive Board, and the Executive Board collectively shall have a right to request adding an item to the Supervisory Board Meeting agenda.
- The Supervisory Board members, who participated in the meeting, shall have no right to request annulment of the decision on the ground that they received the notification in violation of the stated rules.
- The Supervisory Board meetings may be held at any place. Meetings may as well be held by means of a telephone conference, videoconference, or other communication tools considering the fact that participants of the meeting will have a possibility to communicate with each other simultaneously.
- The Chairperson of the Executive Board shall attend as many meetings of the Supervisory Board as possible unless the Supervisory Board announces that it holds the meeting without the attendance of the members of the Executive Board. In case of the request of the Supervisory Board, other members of the Executive Board and other staff members or external parties may also attend the Supervisory Board meetings.
- All members of the Supervisory Board are expected to attend each meeting unless there are exceptional circumstances that prevent them from doing so. If the member of the Supervisory Board often fails to attend meetings of the Supervisory Board, the Chairperson shall raise an issue of his/her responsibility.
- The meetings of the Supervisory Board shall be led by the Chairperson of the Supervisory Board or in case of his/her absence, the meeting shall be chaired by one of the members elected by the majority of the members of the Supervisory Board.
- All papers and matters discussed at meetings of the Supervisory Board and its committees are strictly confidential and papers are retained by the Corporate Secretary following board meetings unless alternative arrangements are agreed upon.
- Chief Executive Officer and other executives are presented with ample opportunity to present during Supervisory Board meetings so that they gain the necessary exposure and experience in interacting with the Supervisory Board and the Supervisory Board, in turn, can obtain direct information and better gauge on the next generation of managers and leaders.
- The Company's Corporate Secretary/Acting Corporate Secretary acts as secretary to the Supervisory Board and the Supervisory Board Committees and drafts the meeting minutes. She/he shall document all the resolutions adopted at such meetings precisely with arguments put forward by the members in support or against approval of the agenda items.

## **6.7. The process of decision-making and the quorum**

- The Supervisory Board shall be considered as convened and have the authority to make decisions if the meeting is attended or represented by 51% of its members. If the Supervisory Board is unable to make decisions, the Chairperson may within no later than 8 (eight) days, convene the new meeting, which will be considered as convened if is attended by no less than 51% of its members. If the Supervisory Board is still unable to make decisions, the power of the Supervisory Board shall be deemed terminated and the Chairperson shall convene the General Shareholders Meeting. In case of impossibility to attend the meeting, the Supervisory Board member may present his/her opinions to the Chairperson in a written form regarding the issues of the agenda.
- The decisions of the Supervisory Board are made on the basis of a simple majority of the members taking part in the meeting. Each member of the Supervisory Board has the right to one vote. The refusal for taking part in voting shall not be allowed. If the number of the votes is equal, the Chairperson's vote shall deem decisive.
- The Supervisory Board shall be collective responsibility for the relevant fulfillment of its own obligations.
- Concerning each meeting of the Supervisory Board, the relevant minutes shall be drafted. The minutes shall reflect the process of discussion and decision-making. The minutes shall be stored together with the documentation of the Company. Each member of the Supervisory Board shall receive a scan copy of the minutes upon request.
- The minutes shall be considered approved if the members of the Supervisory Board do not submit their disagreement concerning the content of the Minutes to the Chairperson within two working days after its dissemination (in case of urgency for decision execution, shorter period of minutes approval may be requested). If the Chairperson is unable to decide regarding such disagreement, the decision shall be adopted at the following meeting. The following items shall be included in the minutes: The place and time of the Meeting (if the meeting is being held via a video conference and teleconference, these facts shall be mentioned); The list of attendants of the meeting; The agenda of the meeting; The summary of the discussions; The results of the voting concerning each issue; Decisions taken by the Supervisory Board;
- The Chairman and a secretary of the Supervisory Board meeting shall sign the minutes.

## **6.8. Induction and Training**

The Company offers an orientation program to new members of the Supervisory Board and the Executive Board on its business, and on other subjects that will assist them in discharging their duties. All members receive induction on joining the Board to get knowledge of the company and get access to its operations and staff. The Chairmen are responsible for ensuring that new members receive full, formal, and tailored induction.

An Induction Course may include:

- Strategy, mission, vision, and organizational structure of the Company;
- Providing copies of minutes of previous board meetings and copies of current strategy document;
- Documents that the Supervisory Board has approved;
- Visits to key company sites;
- Product presentations;
- Meetings with management and staff;
- Meetings with external advisers of the company, such as the auditors; and

- Meetings with shareholders.

The Board members should receive updates when there is a change in an important aspect of the law or when new regulations are introduced that affect the Company's operations or its governance.

The Company provides general access to and meets all the costs of training courses, seminars, conferences, different events, etc. to its Board members.

Members of Supervisory Board committees may need to be updated or may need to acquire greater in-depth knowledge of matters affecting the work of their committee. The particular training and development need for each member is assessed by the Chairman, but each member can make suggestions about the type of training or development that might be suitable for him personally.

### **6.9. Chairman of the Supervisory Board**

The Chairman of the Supervisory Board is elected from members of the Supervisory Board with a maximum term of three years. Chairman whose term of office ends can be reelected. The Chairman is responsible for the overall effective functioning of the Supervisory Board, for the establishment of trust and collegial relations between the Supervisory Board and its members, for coordination and effective co-operation between the Supervisory Board and the Executive Board.

### **6.10. Independent Advice**

The Supervisory Board and its committees can retain independent legal counsel, accounting, or other consultants to advise the Supervisory Board when necessary. The Company will meet the costs of independent professional advice obtained jointly or severally where such advice is necessary to enable the obligations imposed on an individual(s) to be properly fulfilled.

The Executive Board shall allocate relevant budget for independent consultancy services for the Supervisory Board during the budget planning process.

### **6.11. Remuneration**

The General Meeting of Shareholders of the Company approves the Remuneration Policy, incentive schemes, and performance-based bonuses linked to the Company's performance for the Supervisory Board members as well as for the executive board of the Company. GMS shall be informed on all those cases when deviations from the policy took place, indicating the reasons for the deviations.

The Remuneration Policy covers an explanation of the fixed and variable components of remuneration, the maximum limit, if any, set for each remuneration component, criteria for determining the performance of governing body members, links between remuneration and short term/long term performance, the terms and parameters of the annual bonus system and other non-monetary remuneration (insurance, pension schemes, severance arrangements, and so on).



The Nomination and Remuneration Committee is responsible for ensuring that the Remuneration Policy is followed.

## **6.12. Board Effectiveness Review**

The Supervisory Board conducts an annual effectiveness review in order to evaluate the performance of the Supervisory Board as a whole, Supervisory Board committees, and of individual members. The Chairman may hold private meetings with each member of the Supervisory Board to discuss the evaluation results and individual performance.

The Supervisory Board periodically reviews the Supervisory Board's and committees' structure, size, and composition and assesses the effectiveness of internal governance policies and practices.

The Supervisory Board meeting agenda has permanent agenda item regarding effectiveness of each meeting, and it is responsibility of the chairman of the Supervisory Board to arrange discussion of this issue at each meeting.

## **7. BOARD COMMITTEES**

To carry out its activities more effectively and efficiently, the Supervisory Board can set up committees in addition to those that must be set up according to the acting legislation. The name, the field of activities, and the powers of the committee as well as the number and competencies of its members, and as needed, the operational procedures, will be determined according to the committees' regulations.

The Supervisory Board shall be collectively responsible for decisions made and activities implemented by the Committees. The Committee shall only exercise such powers that are explicitly attributed or delegated to it and its actions as a whole shall not exceed powers of the Supervisory Board. Decisions that, by law, shall be taken by the Supervisory Board and prohibited to be delegated, shall not be delegated to the Committee.

Each Committee shall provide information to the Supervisory Board explicitly and in a timely manner about the form of using the delegated authority and of any major development in the area of its responsibilities. Each Supervisory Board member shall have unrestricted access to all Committee meetings and all records. The Supervisory Board shall receive a report from each Committee of its deliberations and findings.

Each committee shall have a clearly documented regulation defining its mandate and activities, including but not limited to the issues such as reporting to the Supervisory Board, restrictions on committee membership, the roles, and responsibilities of the committee members.

The committee regulations shall be regularly reviewed by the committee members, particularly concerning committees' duties and responsibilities.

The Supervisory Board shall periodically review the composition of the committees. Plans for continual refreshing of the Board should be seen as a natural process of change and development for maintaining an effective board by bringing in new skills and experience.

The Supervisory Board committees should be provided with requested information by the Company. Besides, they should be able to meet with the Company's control functions, external consultants, or external auditors, without attendance by members of the Executive Board.

Committees should have unrestricted access to any information of the Company. Additionally, they should be able to meet the control functions of the Company without executive directors being present.

The final responsibility concerning the decisions of the Supervisory Board committees is vested upon the Supervisory Board.

## **7.1. THE NOMINATION AND REMUNERATION COMMITTEE**

The Supervisory Board establishes Nomination and Remuneration Committee to help the Supervisory Board to apply a formal, rigorous and transparent procedure for the appointment, succession and setting over-arching principles and parameters of the remuneration policy for the members of the Supervisory Board, Supervisory Board committees, for executive directors of the Company as well as other responsibilities as defined by the Committee Regulation.

### **7.1.1. Roles and Responsibilities of the Nomination and Remuneration Committee**

Appointing new member of the Supervisory Board is a matter for the GMS, though the committee is responsible for identifying candidates to fill vacancies on the Supervisory Board and nominate them, evaluate the balance of skills, knowledge and experience on the Supervisory Board, and on the basis of this evaluation, prepare a description of the role and capabilities required for the particular appointment, review the time required from a NED, consider candidates for appointment from a wide range of backgrounds, give full consideration to succession planning, regularly review the structure, size and composition of the Supervisory Board, and make recommendations for any changes to the Supervisory Board, keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring that the Company remains competitive, review market analysis, compare the salary levels and employee incentives in the Company and those in other similar companies, make available its terms of reference, explaining clearly its role and the authority and ensure that on appointment to the Supervisory Board, NEDs receive a formal letter of appointment, setting out what is expected of them, including time commitment and membership of the Supervisory Board committees.

The committee is responsible for providing recommendations to the Supervisory Board on appointments of executive directors of the Company, review the nominations, and reasons for resignations, ensure there are adequate policies and procedures relating to the engagement, dismissal and succession of the executive directors, and be actively involved in such processes.



### **7.1.2. Remuneration Policies**

The committee is responsible for drafting and recommending for approval to the Supervisory Board the over-arching principles and parameters of the remuneration policy. The policy is designed to support the delivery of business strategy and thereby create value for shareholders. The committee has responsibility for recommending the remuneration for all executive directors and other administrators or material risk-takers.

The Committee regularly reviews and submits recommendations to the Supervisory Board to ensure compliance of the Company's remuneration policies with international and regulatory standards.

The committee cooperates with the Company's Risk Management Committee to assess the motivator factors of the remuneration system. The Risk Management Committee, independent of the Nomination and Remuneration Committee, checks whether motivator factors of the remuneration system takes into account risks, capital, liquidity, revenue forecast, and time distribution.

The Company's remuneration system shall promote healthy corporate governance and risk management practices, system should comply with the Company's activities, risk strategies, goals, values and long-term interests of the Company. The remuneration system should not encourage excessive risks taking. The Company shall have a documented remuneration policy, which, in addition to other matters, shall include remuneration, including fixed and variable payments, bonus system elements, and payment schedules and periodicity. The remuneration policy shall ensure that the remuneration of employees of control functions does not create the risk of prejudicing the independence of such employees. To maintain the independence of control functions, remuneration of employees should not be dependent on the financial performance of business lines, the performance of which are checked and monitored by these functions.

The Supervisory Board is responsible for monitoring the effective functioning of the remuneration system by the Executive Board.

Remuneration of members of the Supervisory Board shall take into account the engagement level, responsibilities, efforts, and time commitment of the members. Remuneration of members of the Supervisory Board shall include only fixed remuneration. In addition to remuneration for the membership of the Supervisory Board, the Supervisory Board member may receive additional remuneration, if the member is the chairman, deputy chairman, member, or chairman of the Supervisory Board committees.

In discharging its responsibilities, the committee works with and seeks advice from the Supervisory Board and board committees on the management of remuneration risk, including advice on setting performance objectives in the context of incentives.

### **7.1.3. Composition of the Committee**

The committee consists of at least three members. All its members should be professionals, including at least one such director who is determined by the Supervisory Board to be a 'financial expert' and who has 'recent and relevant financial experience'. The members of the committee should be member of Supervisory Board. There should be no representation of people from same direction. Appointments to

the committee are made by the Supervisory Board. Appointments are made for a period of up to three years with no limit on reappointment.

#### **7.1.4. Committee Meetings**

There should be at least one meeting each year. Only the Chairman and members of the committee are entitled to attend meetings. It is for the committee to decide whether other individuals should be invited to attend a particular meeting or a particular agenda item.

#### **7.1.5. Relationship between the Committee and the Supervisory Board**

The committee reports to the Supervisory Board on an annual basis on how it has discharged its responsibilities.

### **7.2. THE HR COMMITTEE**

The Supervisory Board establishes HR Committee to provide to the Supervisory Board preliminary examinations and recommendations with respect to priority tasks of the human resources management.

#### **7.2.1. Roles and Responsibilities of the HR Committee**

Review quarterly HR Reports, grading system, recruitment, retention and termination policies, the list of the external consultants related to HR Services, ensure the effective participation of the members of the Boards in implementation of the priority tasks of the Human Resources and policies of the Company, review any proposals, with respect to any major improvements in the Human Resources policy of the Company, review both internal and external audit finding related to HR issues and review the Company's draft internal documents that govern the Company's Human Resources and provide recommendations.

The committee is responsible for providing recommendations to the Supervisory Board.

#### **7.2.3. Composition of the Committee**

The committee consists of at least three members. All its members should be professionals including at least one such director who is determined by the Supervisory Board to be a 'financial expert' and who has 'recent and relevant financial experience'. Appointments to the committee are made by the Supervisory Board. Appointments are made for a period of up to three years with no limit on reappointment.

#### **7.2.4. Committee Meetings**

There should be at least quarterly meetings each year. Members of SB could attend the committee meetings preferably informing and receiving Committee Chairman's confirmation in advance. It is for the committee to decide whether other individuals should be invited to attend a particular meeting or a particular agenda item.

### **7.2.5. Relationship between the Committee and the Supervisory Board**

The committee reports to the Supervisory Board on a quarterly basis on how it has discharged its responsibilities.

## **7.3. THE RISK MANAGEMENT COMMITTEE**

The Supervisory Board established the Risk Management Committee to provide assurance to the Supervisory Board that risk management and processes for control over risk are effective.

### **7.3.1. Roles and Responsibilities of the Committee**

The responsibilities of the Risk Committee are to advise the Supervisory Board and assist in discharging its duties and responsibilities regarding risk management, i.e. where risk areas seem to require particular attention, make recommendations to the Supervisory Board, discuss all risk strategies on both an aggregated basis and by type of risk and make recommendations to the Supervisory Board thereon, and on the Company's overall current and future risk appetite, report on the state of risk culture in the Company and review the Company's risk policies at least annually, oversee that the management has in place processes to promote the Company's adherence to the approved risk policies, provides recommendations to the Supervisory Board regarding the risk strategies and effectiveness of the policies, including distribution and keeping adequate level of capital for identified risks, review a finalist for CRO and Head of relevant risk department position before their confirmation into the jobs, monitor the strategies for capital and liquidity management, additionally, all other types of risks including credit, market, insurance, compliance, operational and reputational risks, in order to ensure adequacy with risk appetite.

### **7.3.2. Composition of the Committee**

The committee consists of at least three members. Appointments to the committee are made by the Supervisory Board on the recommendation of the Nomination and Remuneration Committee. Appointments are made for a period of up to three years with no limit on reappointment.

### **7.3.3. Committee Meetings**

There should be at least monthly committee meetings each year. Members of SB could attend the committee meetings preferably informing and receiving Committee Chairman's confirmation in advance. It is for the committee to decide whether other individuals should be invited to attend a particular meeting or a particular agenda item.

### **7.3.4. Relationship between the committee and the Supervisory Board**

The committee reports to the Supervisory Board on a quarterly basis on how it has discharged its responsibilities.

The Risk Management Committee should provide a report about material risks and other identified significant issues, including the structure of internal control systems and risk management, effective functioning, continuity, and generally about the risk culture in the Company to the Supervisory Board at least once a year.

#### **7.4. STRATEGY AND BUDGET COMMITTEE**

The Supervisory Board established the Strategy and Budget Committee to provide assurance to the Supervisory Board that the strategic plan is prepared following the vision of the shareholders of the Company and the annual budget is prepared under the approved strategic plan as well as monitoring of annual budget and strategic plan execution.

##### **7.4.1. Roles and Responsibilities of the Committee**

The responsibilities of the Strategy and Budget Committee are to advise the Supervisory Board and assist in discharging its duties and responsibilities. The committee is created to ensure control over preparation and effective execution of the Company's strategy plan, control over implementation and effective execution of the Company's annual budget, review of all changes proposed to the strategy plan/annual budget and advise Supervisory Board accordingly, report on execution of the annual budget and strategic plan to the Supervisory Board.

##### **7.4.2. Composition of the Committee**

The committee consists of at least three members. All its members should be professionals. Appointments to the committee are made by the Supervisory Board on the recommendation of the Nomination and Remuneration Committee. Appointments are made for a period of up to three years with no limit on reappointment.

##### **7.4.3. Committee Meetings**

There should be at least quarterly committee meetings each year. Members of SB could attend the committee meetings preferably informing and receiving Committee Chairman's confirmation in advance. It is for the committee to decide whether other individuals should be invited to attend a particular meeting or a particular agenda item.

##### **7.4.4. Relationship between the committee and the Supervisory Board**

The committee reports to the Supervisory Board on a quarterly basis on how it has discharged its responsibilities.

All committees have statutes containing provisions on the scope of authority, competencies, composition, working procedures, as well as the rights and responsibilities of the committee members.

#### **8. THE AUDIT COMMITTEE**

The Audit Committee supports the Supervisory Board to apply effective corporate reporting and internal controls.

## **8.1. Roles and Responsibilities of the Committee**

The Audit Committee focuses on financial reporting, internal and external audits. The main roles and responsibilities of the Committee are to define the Company financial accounting policy and its approach to internal controls, oversee the financial reporting process, approve financial statements prior to their publication, provide oversight of the Company's internal audit function, review and approve the internal audit scope and plan, interact with the Company's external auditors, approve or recommend to the Supervisory Board the appointment, remuneration and dismissal of external auditors, review and recommend finalists for Internal Audit Director and other Internal Audit roles, and also review their remuneration and dismissal, receive internal audit reports and ensure that the Company's management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other issues identified by internal and external auditors or other control functions, oversee the establishment of Company accounting policies and practices, review the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system, ensure adequate functioning and independence of internal and external audits and their effective cooperation, review recommendation letter prepared by external audit and monitor that managers take corrective actions to solve the problem.

The Audit Committee is required to assess internal audit function performance at least annually.

## **8.2. Composition of the Committee**

The Audit Committee consists of at least three members. At least two members of the Audit Committee, including the Chairman of the Committee, shall have financial education and experience and the ability to analyze financial statements.

Appointments to the committee are made by the GMS on the recommendation of the Supervisory Board and Nomination and Remuneration Committee. Appointments are made for a period of up to three years with no limit on reappointment.

## **8.3. Restrictions**

Acting or former partner/director of the Company's current external audit firm, who was involved in the Company's auditing service, may not be a member of the Company's Audit Committee:

- within 12 months after leaving the position of the partner/director of the audit firm; or
- if despite of leaving the position, he/she has any financial interest in the audit firm.

## **8.4. Committee Meetings**

The Committee should meet at least quarterly taking into account key dates of the financial reporting and audit calendar. As a general rule, at list 5 working days should be allowed between Audit Committee meetings and meetings of the Supervisory Board to allow any work arising out of the committee meeting to be carried out and reported to the Supervisory Board as appropriate.

Only the Chairman and members of the Audit Committee are entitled to attend meetings of the Committee. It is for the Committee to decide whether other individuals should be invited to attend a particular meeting or a particular agenda item.

### **8.5. Relationship between the Committee and the Supervisory Board**

The Audit Committee report to the Supervisory Board at least quarterly on how they have discharged their responsibilities. Such reporting includes the significant and critical issues, how they were addressed, and assessment of the effectiveness of the external audit process. The Committee recommends the appointment or reappointment of the external auditor and on other issues where the Supervisory Board has asked for the Audit Committee's opinion.

## **9. THE EXECUTIVE BOARD**

The Company understands that day-to-day management of the Company requires strong leadership from the CEO and the other members of the Executive Board. It also recognizes the challenge and complexity of running the Company and believes in teamwork, a collective rather than an individual approach. The Company has thus established the Executive Board, chaired by the CEO.

The CEO is the top executive with ultimate executive responsibility for the Company's operations, compliance, and performance. The CEO serves as the main link between the Supervisory Board and the executive directors.

The Executive Board has an important role in implementing and maintaining effective corporate governance practices in the Company. It is responsible for the distribution of functions and responsibilities of the Company's employees, and effective governance structure, which should ensure accountability and transparency. The responsibilities of the Executive Board are defined and documented by the Supervisory Board to ensure that no single person has unfettered control of the business.

The Executive Board, in cooperation with other functions of the Company, implements the business strategies and creates effective financial and non-financial risk management systems, facilitates the development and establishment of risk culture, processes, and controls, provides the necessary information to the Supervisory Board to enable them to discharge their duties and responsibilities.

The Executive Board is responsible for the allocation of responsibilities between the Company's employees and for the development of an appropriate governance structure ensuring accountability and transparency in the Company.

### **9.1. Roles and Responsibilities of the Executive Board**

The key duty and responsibility of the Executive Board is to carry out the Company's day-to-day business operations following the legislation, the Company's strategy and strategic objectives, business plan, budget, internal normative documents and resolutions of the General Meeting of Shareholders and the Supervisory Board.

Detailed roles and responsibilities of Executive Board are described in Regulation of Executive Board.

The Executive Board shall act within its regulation and any other decision-making limits approved by the Supervisory Board.

The members of the Executive Board shall:

- Act in good faith and perform their duties prudently in the best interests of the Company and all the Company's shareholders;
- Be free to perform their duties as a member of the Board effectively;
- Inform the CEO of being a related party to any matter proposed for consideration by the Board and refrain from voting on such matter;
- Treat any information which becomes known to them or available as a result of working in the Board as strictly confidential;
- Be responsible for the management of the Company and the exercise of powers delegated to them by the Supervisory Board;
- Be accountable to the Supervisory Board for their achievements and performance and work within the powers conferred to it by the Supervisory Board;
- Implement the Company's strategic objectives, strategies, and policies;
- Comply with the relevant legislation, the Company's Charter, and other internal normative documentation of the Company during the implementation of their duties;
- Ensure that the information about financial violations and/or violations of the Code of Ethics of the Company in their possession is delivered to the Supervisory Board through HR Committee;
- Provide suggestions, recommendations, opinions, and issue resolutions;
- Request documents, reports, explanations, and other relevant information from the committee members, the Corporate Secretary and/or any other employee of the Company;
- Invite the committee members, and/or any other employee of the Company to the meetings of the Board to get explanations and clarifications on the agenda items when necessary;
- Utilize services of outside consultants, experts, and advisors, if necessary.

## **9.2. Membership, Composition, and Term of Office**

The Executive Board's composition (competencies, skills, and mix) is suited to the effective and efficient running of the Company's day-to-day operations. Each member, including the CEO, has the experience, knowledge, qualifications, and expertise necessary to effectively discharge his or her duties.

Each member of the Board shall be appointed for the term of three years. Their re-appointment shall not be limited. The Supervisory Board may reappoint the member of the Board before the expiry of the above term. At the same time, any member may resign at any time, but Supervisory Board should approve resignation.

The Supervisory Board concludes relevant agreements with the Executive Directors. The agreement concluded with the Executive Directors is an employment agreement and as such shall be regulated by Labor Code of Azerbaijan. The Board shall be composed of at least three (3) Executive Directors, the Chairman of the Board, who is at the same time Chief Executive Officer of the Company and a member of the Executive Board. The status and scope of activities of each member shall be defined at their appointment. The Supervisory Board shall be entitled to increase the number of members of the Board at any time.



The Company's Executive Directors shall manage and represent the Company. The Company representation authority shall be vested upon the Chairman of the Executive Board (Chief Executive Officer), who is authorized to give power of attorney to any other person to act on his behalf.

The competence of the Executive Directors shall be determined by the Charter, Regulation of the Executive Board and relevant legislation currently in force. The Supervisory Board is authorized to approve the regulations of the Company's managing bodies, which shall determine the rights and obligations of each Director and limitations of their power based on the principal provisions specified in the Charter of the Company. Any limitation of the right shall affect any third party only if such limitation is envisaged in the Charter of the Company.

The candidate for membership of the Board shall comply with requirements set in the Insurance Law.

The powers of the members of the Board may be terminated in one of the following ways:

- Resignation. A member of the Board may resign by giving respective written notice to the Chairman of the Supervisory Board at least thirty (30) calendar days before the date of resignation;
- Termination of powers. Powers of a member of the Board may be terminated by the decision of the Supervisory Board.
- Expiration of the term of office.

All members of the Executive Board have the:

- Trust of the Company's shareholders, Supervisory Board members, other managers and employees of the Company;
- Ability to relate to the interests of all shareholders and to make wise and rational decisions;
- Professional expertise and education to be an effective manager;
- Business experience, knowledge of national issues and trends and knowledge of the market, products, and competitors; and
- Financial literacy;

### **9.3. Chairman of the Executive Board**

The Supervisory Board shall elect one of the members of the Executive Board as the Chairman of the Executive Board. The Chairman of the Executive Board is at the same time the Chief Executive Officer of the Company.

The rights and responsibilities of the Chairman are determined by the Charter of the Company, Regulation of Executive Board and applicable legislation.

### **9.4. Chief Risk Officer**

The Company shall appoint a CRO who shall be responsible for monitoring the effective implementation of the Company's risk management policies. CRO shall have sufficient authority, access, and reporting line to the CEO and the Risk Management Committee. CRO is responsible to oversee the effective functioning of the Company's risk management, including but not limited to providing training for employees for risk management systems, policies, processes, quantitative models, and reports, which are necessary for ensuring that the Company risk management capabilities are sufficiently robust and effective to fully support its strategic objectives and all risk-taking activities. CRO should have sufficient



status and authority within the organization, unfettered access, and, for functional purposes, a reporting line to the Supervisory Board and the Risk Management Committee. He/she may have meetings with members of the Supervisory Board and the Risk Management Committee without attendance by members of the Executive Board. Appointment, dismissal, and any other changes shall be approved by the Supervisory Board. The CRO's performance, compensation, and budget should be reviewed and approved by the Nomination and Remuneration Committee or the Supervisory Board. In case of dismissal of CRO, the reasons for dismissal shall be properly documented.

CRO shall regularly report to the Supervisory Board, the Risk Management Committee, and the Executive Board.

## **9.5. Reporting**

The Executive Board shall report to the Supervisory Board on how it has discharged its duties and responsibilities on a quarterly basis.

The periodic reports to the Supervisory Board include but are not limited to:

- Financial Performance and Other Activities Report;
- Compliance Report;
- Other reports as requested by the Supervisory Board.

## **9.6. The Executive Board meetings and decision making**

- The Executive Board meetings shall be held in such a frequency as necessary for the relevant functioning of the Board, but at least once a month.
- The Board meeting is summoned either as regular or extraordinary meetings.
- The notice of each Board meeting confirming the date, time, venue, and agenda must be forwarded to each member of the Board by the Secretary at least two working days before the date of the Board meeting. The notice shall include relevant and appropriate supporting documents for the agenda items to be discussed.
- Taking a decision may be postponed, if it was impossible to inform Board members in a timely manner, the Board members did not receive the necessary information on time, or Board members were not given enough time to prepare for the meeting.
- Each member of the Board shall have a right to request convening general or extraordinary Board meetings and add items to the agenda.
- In case of indispensable necessity and due to the best interests of the Company the extraordinary Board meetings may also be called. If the extraordinary Board meeting is summoned, members of the Board shall receive the memo from the requesting body/individual providing details of the necessity of summoning the Board meeting within accelerated terms.
- The Chairman may refuse to convene an extraordinary meeting in one of the following cases: Proposed agenda item is not within the competence of the Board; Proposed agenda item has already been included in the agenda of the next regular meeting scheduled by the Chairman before the receipt of the said call for the meeting; Procedure for submitting a request for the meeting has not been observed.
- The meetings shall be held at any place. The meetings may be held by means of a telephone conference, video-conference, e-mail, or other communication tools considering that participants of the meeting will have a possibility to communicate with each other simultaneously and in case members of the Board are not against such form of decision-making.

- The Board members, who participated in the meeting, shall have no right to request annulment of the decision on the ground that they received the notification in violation of the stated rules.
- If requested so by the Board, other employees of the Company may also attend the meetings.
- The member of the Board may not be represented by the other delegated person. If the member of the Board often fails to attend the meetings, the Chairman shall raise an issue of his/her responsibility.
- The meetings shall be led by the Chairman or in case of his/her absence, by Deputy Chairman, and if latter is absent by one of the members elected by the EB members.

### **9.7. Quorum and voting**

- The Board shall be authorized to make decisions if at least 51% of its members are present or represented. Each member of the Board shall have one vote.
- The Board shall not decide on the field of specialization of a certain member of the Board in case of absence of the latter. The Board shall try to adopt a unanimous decision.
- If some members of the Board are against the resolution of majority members, she/he shall provide members with a clear explanation. The provided explanation shall be recorded in the Minutes.
- When a decision is not unanimous, decisions of the Board are adopted by a simple majority of votes. If the number of the votes is equal, the Chairman's vote shall be deemed decisive.
- Refusal to take part in the voting shall not be allowed.

### **9.8. Minutes**

The secretary shall draft the minutes. The minutes shall include information on place and time of the meeting, whether the meeting is held by means of communication, names of members present, absent and other invitees, the agenda, summary of discussions, results of voting including explanations from member/s who is/are against the resolution/s worded clearly and unambiguously.

The secretary shall draft the minutes and send it to the Board members for review. The minutes shall be signed by the Chairman and the secretary. If necessary, other members may also sign the minute. The secretary shall inform the responsible person about the decision adopted by the Board by sending an appropriate extract from the minutes.

Control of performance of the orders of the Board shall be imposed on a person delegated by the Chairman, who may be a secretary of the meeting. The minutes shall be available for the Internal Audit Department of the Company and Independent External Auditor. The minutes and supporting documents shall be kept by the secretary. The minutes, agenda, and supporting documents shall be made available to any member of the Board upon request to the secretary.

### **9.9. Committees of the Executive Board**

The Executive Board may establish standing and/or ad hoc committees, which shall have the obligation of fulfilling the duties determined by the Executive Board. The Executive Board shall approve the size and composition of committees of the Executive Board, including appointments and removals of the committee members.

The Executive Board shall be collectively responsible for decisions made and activities implemented by the Committees. The Committee shall only exercise such powers that are explicitly attributed or delegated to it and its actions as a whole shall not exceed powers of the Executive Board. Each member of the Executive Board shall have unrestricted access to all committee meetings and records. Each committee shall provide information to the Executive Board explicitly and on time about the form of using the delegated authority and of any major development in the area of its responsibilities.

The Executive Board shall periodically receive a report from each committee of its deliberations and findings.

The Executive Board shall establish statutes for each committee, indicating the role and the responsibility of the committees, its composition, and the manner in which it performs its duties.

### **9.10. Succession Planning**

The Supervisory Board adopts a succession plan that outlines how it will effectively deal with either the temporary or permanent loss of the CEO and other directors. To assist in this process, the CEO is to provide the Supervisory Board with a list of individuals best suited to replace the Company's key positions, including the position of the CEO. The succession plan goes beyond simply naming a deputy and entails coaching, mentoring, and exposure to the executive directors.

## **10. THE INTERNAL AUDIT DEPARTMENT**

The Company views internal audit as an independent appraisal activity established within an organization to examine and evaluate the adequacy and effectiveness of internal controls. The Internal Audit provides an objective appraisal service function to all levels of the Company management and the Audit Committee by providing independent, objective assurance on the effectiveness of internal controls in mitigating risks of significant processes, by consulting management on best practices to improve the effectiveness and efficiency of the Company's operations, to protect the assets and integrity of the Company and determine the compliance of the Company's financial, economic, administrative and other activities with current legislative acts.

Internal Audit Department assists management with the evaluation of internal controls used to detect or mitigate fraud, evaluates the Company's assessment of fraud risk and is involved in fraud investigations.

The Internal Audit Department has the right to determine the forms and methods of conducting the audit engagements, obtain any kind of information/documentation necessary for conducting the audits, obtain necessary assistance of personnel in all departments, structural units and functions of the Company where the Internal Audit Department performs audits, keep the necessary evidence for further investigation purposes in case of suspicions for the fraud, maintain relations with the regulators, the Audit Committee, the Supervisory Board, the Executive Board, other departments of the Company and external auditors, meet with any employee of any department and members of the Executive Board in order to discuss relevant issues.

Internal audit should regularly evaluate reporting processes and satisfy itself that the reports prepared by the Company's management are timely, accurate, reliable, and appropriate both for the Company's management and shareholders.

The Internal Audit Department reviews the internal control system, carries out independent checks of internal controls in the Company, or in a particular process or system in order to establish whether suitable controls exist and are applied properly and effectively. The Internal Audit Department conducts Value For Money (VFM) audits of operation or activity to establish whether it is economical, efficient and effective, reviewing compliance by the Company with particular laws or regulations, an investigation into the effectiveness of compliance controls. Internal Audit Department might be asked to investigate aspects of risk management and in particular the adequacy of the mechanisms for identifying, assessing, and controlling significant risks to the Company, from both internal and external sources. Internal Audit Department might conduct special-purpose audits to provide their opinion on concrete and particular areas of interest, might be asked to investigate the timeliness of reporting and the accuracy of the information in various reports. Internal auditors should address all requests and requirements of the regulators pertaining to them.

The internal audit function reports to the Audit Committee. The Audit Committee advises Supervisory Board on appointment, dismissal, evaluation, and compensation of the Head of Internal Audit Department, ensures that the Head of Internal Audit Department has direct access to the Chairman of the Supervisory Board and the Audit Committee, and is accountable to the Audit Committee and the Supervisory Board.

The Audit Committee reviews and approves the annual Internal Audit plan, receives audit engagement reports, reviews and monitors the responses of management to the audit recommendations, meets with the head of Internal Audit Department at least once a year without the presence of executive management, monitors and assesses the effectiveness of the internal audit function.

The Internal Audit Department shall have unlimited and full access to any information, data, and records of the Company.

The Executive Board or other executive structures of the Company shall abstain from recommending the remuneration of the Internal Audit Department's employees.

The employees of the Internal Audit Department cannot participate in any governing body committees.

## **11. THE CORPORATE SECRETARY**

The Corporate Secretary contributes to the correct and effective working of the Company's governing bodies. The Corporate Secretary reports to the Supervisory Board and Executive Board and provides informational and administrative support to the Company's governing bodies (excluding the Audit Committee). The Corporate Secretary has a range of different responsibilities, including the administration matters such as recording accurate and sufficient documentation to meet legal requirements (record management) and providing support for board meetings, however, his/her primary responsibilities are specifically related to corporate governance matters. The Corporate Secretary, along with the Chairman of the Supervisory Board, shall regularly review the Supervisory Board and the Company's governance processes with a view to ensuring they are fit for purpose and recommend or develop initiatives to strengthen and promote high standards of governance within the Company. The Corporate Secretary is responsible for advising the Supervisory Board through the Chairman on all governance matters.

As good corporate governance relies on communication and the exchange of information, the Corporate Secretary shall help ensure that this happens. By attending board meetings and committee meetings, she/he shall ensure that relevant information is passed from the Supervisory Board to committee or from one committee to the Supervisory Board or another committee. By acting as a point of communication and contact for NEDs, the Corporate Secretary shall also be able to contribute to the flows of information between NEDs and executive directors in the Company. The Company has thus developed a procedure for periodic reports (information briefs) from the CEO and the Executive Board to the Supervisory Board. The Supervisory Board shall further have unrestricted access to the Company's management and its employees. The Corporate Secretary plays a key, overall role in facilitating this process.

The Corporate Secretary is responsible for ensuring that accurate and sufficient documentation exists to meet legal requirements and to enable authorized persons to determine when, how, and by whom the Supervisory Board's business was conducted. In order to fulfill these responsibilities, the Corporate Secretary records minutes of meetings, ensures their accuracy, and availability (records should include information on the final decision as well as attitudes/arguments of members opposed with decisions), proposes policies and practices, submits various reports to the Supervisory Board, maintains membership records, fulfills any other requirements of a Supervisory Board members, and performs other duties as the need arises.

The Corporate Secretary provides dedicated support for the Supervisory Board and is a point of reference and support for all directors. The Corporate Secretary shall consult regularly with directors to ensure that they receive any necessary information and shall work with the Chairman of the Supervisory Board, Chief Executive Officer, and management to ensure the presentation of high-quality supporting information to the Supervisory Board and its committees.

The Supervisory Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Corporate Secretary or directly.

The Supervisory Board adopted the Corporate Secretary Statute, providing for a detailed description of her/his rights and responsibilities, the list of his or her functions, the required background, and qualifications.

The Chairman of the Supervisory Board and the Chairman of the Executive Board or First Deputy CEO are responsible for the performance appraisal of the Corporate Secretary.

### **11.1. Independence of the Corporate Secretary: appointment and removal**

The Corporate Secretary should not be a member of any governing body of the Company, have a decision-making role within any SB committees and EB, or be otherwise associated with it in a manner that may impede him/her from performing his/her duties in an unbiased way. The Corporate Secretary could be the member of the EB committees unless s/he is the corporate secretary of it.

The authority to appoint and dismiss the Corporate Secretary of the Supervisory Board is vested with the Supervisory Board and Executive Board jointly.

In matters relating to his/her duties, the Corporate Secretary should, through the Chairman, be accountable to the Supervisory Board as a whole; As the Corporate Secretary has additional executive responsibilities to their core role, he/she reports to the CEO or other C-level on such matters.

## **12. SHAREHOLDER RIGHTS**

The Company treats every shareholder fairly and equally. The Company ensures that the basic rights of the shareholders are observed: all shareholders have the right to participate at the General Meeting of Shareholders, receive dividends, equal voting rights on a pro-rata basis, a right to elect and be elected, a right to obtain information, a right to request redemption of shares, preemptive right in the purchase of newly issued shares, a right to request examination of the Company's activity, a right to receive residual value at liquidation.

Information about the activities and the management of the Company will be given to the shareholders, in compliance with the Charter of the Company. The Company will inform the shareholders on the economic activities and on the development of the Company and its associated companies in a consolidated way.

## **13. SHAREHOLDER STRUCTURE**

"PASHA Insurance" OSJC is the subsidiary company, and its 100% shares are solely owned by LLC PASHA Holding.

## **14. GENERAL MEETING OF SHAREHOLDERS**

Preparation. The date and the venue of the General Shareholders Meeting and other rights related to the securities should be followed in accordance with the applicable law and the Charter. Protection of the rights of separate shareholders and procedures related to the General Shareholders Meeting should be ensured as stipulated by the law, the Charter, and internal regulatory documents. Every shareholder holding voting shares is entitled to participate and vote during the GMS.

Holding the GMS. The Company takes all the steps necessary to support shareholder activism and facilitate the participation of all shareholders at GMS. The GMS is held at a time and place that are the most convenient for shareholders. Each shareholder has the right to take the floor on matters on the agenda and submit relevant proposals and questions before the general meeting.

Shareholders are able to obtain necessary information from members of the Supervisory Board and Executive Board, as well as call an extraordinary General Meeting of Shareholders.

Shareholders are able to cast votes directly or by proxy. Nothing impedes shareholders from voting from abroad or by means of the power of attorney issued to another person.

Results. The voting results and other relevant materials are distributed to the shareholders and to the ultimate shareholders, either at the end of the GMS or very soon after the general meeting is held.

## **15. DIVIDEND POLICY**

The Company has formally developed and follows a dividend policy.

The Company's dividend policy:

- Establishes a transparent, understandable, and predictable mechanism for determining the payment procedure and the amount of the dividends;
- Ensures that the dividend payment procedure is easy and efficient; and
- Provides for the complete and timely payment of declared dividends.



According to the dividend policy of the Company on the distribution of profit, dividends can be paid to the extent of the development perspectives, financial performance of the Company, the investments that would be made, the specific circumstances of the sector, the economic conjuncture, and the legislation on insurance allows it.

## **16. EXTERNAL AUDIT**

The external audit is appointed by Supervisory Board. The external audit of the Company is a publicly recognized independent auditing firm, where independent means free from any conflicts of interest, independence from the Company, the Company's management, and major shareholders.

The external audit shall be and remain independent. The Company shall use the service of the external audit to the extent that this does not prejudice the independence of the external auditor. This requirement is based on the following principles: (a) The external audit shall be independent of the auditable client; and (b) The external audit shall be someone who is able, in the light of all relevant facts and circumstances, to form an objective and impartial opinion on all matters that fall within the scope of its assignment.

In order to prevent the external audit and the Company from becoming too close, the number of years a person may be part of the audit team of the external audit shall be capped.

If the decision is taken about using the service of another external audit, the tender approved by the Audit Committee shall be held.

With regard to Shareholders, the Audit Committee is the principal contacts with the external audit. The contact between the Supervisory Board and the external audit is carried out mainly through the Chairperson of the Audit Committee. The Audit Committee is the primary contact for the external audit if any irregularities are revealed in financial reports. Finance department of the Company also plays significant role in the contact with External Audit.

The Audit Committee and the Supervisory Board shall pay attention so that the recommendations made by the external audit are carefully considered by the Executive Board and the Supervisory Board and, to the extent accepted, they are actually implemented by the Executive Board. The external audit shall receive quarterly (if any) and/or semi-annual financial reports, and other interim financial reports, and shall be given the opportunity to respond to all information.

At least once in three years the Supervisory Board and the Audit Committee shall undertake a complete analysis of the activity of the external audit. The main report of this evaluation shall be submitted to the Supervisory Board so that the latter is able to evaluate the issue of appointing the candidature of the external audit.

## **17. INFORMATION DISCLOSURE AND TRANSPARENCY**

The Company believes that public disclosure of information contributes to market discipline and sound corporate governance, therefore the Company commits itself to disclose complete, accurate, and material information about their activities to stakeholders in a timely manner.

## **18. WEBSITE**

The Company provides information disclosure for stakeholders on their activities as well as corporate governance issues, including by publishing relevant information on their website.

Information that would be disclosed to the public will be submitted to the public on Company's website, promptly, correctly, clearly, and interpretably.

The information that is briefly stated below and which would be included in the website will be prepared in accordance with the provisions of the pertinent legislation and will be kept updated.

- Shareholding Structure;
- Information about the members of the Supervisory Board, Executive Board and Supervisory Board Committees and the organizational structure;
- Financial reports;
- Independent Auditors' Report;
- Announcements that have to be made according to the legislation;
- Corporate Governance Policy;
- Remuneration Policy;
- Code of Ethics;
- Dividend Policy;
- Development Policy.

The Executive Board could decide to publish abovementioned documents partially or to not disclose some parts of those documents.

## **19. INTERNAL NOTIFICATION SYSTEM AND COMMUNICATION LINE**

The communication line is a line that enables the Company's stakeholders to contact when they encounter a risk that might be associated with risk management or compliance.

Notification must be communicated in accordance with Code of Ethics and Code of Conduct about all matters regarding the below mentioned and the violation of the ethical principles:

- Fraud;
- Corruption;
- Forgery;
- Unethical behavior;
- Incidents that give rise to a conflict of interests;
- In compliance with the legislation.

Stakeholders can freely communicate their concerns about any unlawful and unethical practices in the Company, through the communication channel designated for this.

As long as it is related to the principles mentioned above, the personnel cannot be punished, fired or accused of discrimination. This is guaranteed by the Executive Board.

Compliance with the ethical principles is regulated by the Code of Ethics of the Company.



## **20. CONFLICT OF INTEREST**

A conflict of interest is a situation in which a person or a company occupies a position by means of which it is possible to gain personal or corporate benefit beyond normal contractual resulting from engagement with the Company. Transactions with related parties should be considered as conflicts of interest.

No member of the Company's governing bodies shall put himself/herself in a position where his/her interests conflict or may be perceived to conflict with those of the Company.

The Supervisory Board members involved in any actual or potential conflict of interest or related party transaction should inform about it the Chairman of the Supervisory Board and refrain from voting on resolutions to approve them or from influencing the decision of other members.

Similarly, members of the Executive Board involved in any actual or potential conflict of interest or related party transaction should inform about it the Chairman of the Executive Board and refrain from voting on resolutions to approve them or from influencing the decision of other members.

The member of the governing body shall not take part in any discussion or decision-making (unless it is necessary for providing the essential information for decision-making) that involves the subject or the transaction in relation to which a conflict of interest with the Company exists.

All transactions with conflicts of interest shall be agreed on terms that are customary for the commercial transactions of the company in this area. The decisions to enter into such transactions with conflicts of interest with the members of the governing body shall be adopted in compliance with the applicable legislation.

If members of the boards have doubts about whether a conflict or potential conflict may arise, they should consult the Chairman of the respective governing body or the Corporate Secretary, before doing anything that might compromise the Company.

Compliance with the conflict of interests procedures are regulated by the Conflict of Interests Policy of the Company.

## **21. CONFIDENTIALITY**

Members of the Company's governing bodies shall preserve the secrecy of confidential information, they are required to keep confidential the information, data, reports, and background information they come to know in the course of performance of their duties, and such information shall not be communicated to the third parties or be subject to disclosure. The member of the governing body shall not use confidential information for receiving personal benefit.

At the end of each member's term of office, s/he shall return all confidential documents in his/her possession to the Company or guarantee their disposal in a manner that ensures protection of confidentiality.

The Company shall take necessary measures to ensure that the appropriate agreements for the protection of confidential and inside information are signed with any third parties who participate in the Board meetings.

The confidentiality obligation survives departure from office or termination of the confidentiality agreement.

The member of the governing body may reveal such information to those employees, who shall be informed about the given information due to their activity in the Company.

## **22. NORMATIVE REFERENCES**

This Policy complements other internal normative documents of the Company including, but not limited to:

- Charter;
- Code of Ethics;
- Supervisory Board Regulation;
- Executive Board Regulation;
- Audit Committee Regulation;
- Strategy and Budget Committee Regulation;
- Risk Management Committee Regulation;
- Nomination and Remuneration Committee Regulation;
- Human Resources Committee Regulation;

The Company's set of internal regulatory documents follows legal and regulatory requirements and incorporates internationally recognized corporate governance practices.

## **23. FINAL PROVISIONS**

The Policy is effective upon its approval by the Supervisory Board. Relations occurred before the date of approval of this policy are not regulated by this Policy. However, the Company shall try to bring other internal normative documents in line with the Policy after approval of the Policy by SB.

In the event of a conflict between this Policy and the Company's Charter, the Charter shall prevail.

In the event of a conflict between this Policy and any document approved prior to the date of approval of this policy, The Policy shall prevail.

In the event of a conflict between this Policy and any document approved by the Board of Directors or GMS after the date of approval of this Policy, that document shall prevail.

In general, in the event of any conflict, parties should first analyze the meaning of the provision and try to interpret the provision in the best interest of the Company. If the resolution of the conflict in accordance with this Policy affects the interests of the Company, the matter should be presented to the Supervisory Board.

The responsibility to review the document for updates at least once in 3 years after the approval of the strategy is vested upon the Corporate Secretary.

The Supervisory Board may amend this Policy, from time to time, upon recommendations from the Corporate Secretary, the Executive Board, and/or any member of the Supervisory Board.