

JSC LIBERTY BANK REMUNERATION COMMITTEE TERMS OF REFERENCE

These terms of reference define the main principles, goals, objectives, functions, rights and responsibilities of Remuneration Committee (the “**Committee**”) of JSC Liberty Bank (the “**Bank**”) and the authority delegated to the Committee by the Supervisory Board (the “**Supervisory Board**”) to monitor the compensation of the Bank’s Management Board (the “**Management Board**”), oversee general remuneration policies of the Bank to be in compliance with the Bank’s culture, long term business strategy and risk appetite.

1. Membership

- 1.1. The Committee is an independent structural unit, it reports to the Supervisory Board of the Bank and shall consist of at least 3 (three) members, which shall be members of the Supervisory Board. The majority of Committee members shall be independent members of the Supervisory Board;
- 1.2. The Chairman of the Committee (the “**Chairman**”) at the same time shall not be the chairman of the Supervisory Board and/or any other committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting;
- 1.3. Only members of the Committee have the right to attend the Committee meetings, however, other individuals may also be invited to attend all or part of any meeting, as and when appropriate and necessary with the agreement of the Committee Chairman;
- 1.4. Where the business of the Committee meeting includes the review of actual or potential conflicts of interest of the Committee member, such affected member shall not participate in the review or discussions or decisions of the Committee which relate to that member and therefore shall not be counted in the quorum of the meeting for any such discussions or decisions.

2. Committee meeting and voting

- 2.1. Meetings of the Committee shall be held at least twice per year and in certain cases such meetings may be called by the Supervisory Board at any time;
- 2.2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise its authorities. The quorum necessary for the transaction of business shall be two members. The Committee makes decisions by majority of votes and in the event of an equality of votes, the Committee Chairman shall have a casting vote;
- 2.3. The meeting shall be convened by the secretary of the meeting (the “**Secretary**”) at the request of any of Committee members or at the request of the Management Board of the Bank;
- 2.4. Unless otherwise agreed, the notice of each meeting shall be sent to each member of the Committee no less than three working days prior to the date of the actual meeting;
- 2.5. Notices, agendas and any other supporting documents may be sent in electronic form;

- 2.6. The minutes of the meeting shall be drawn by the Secretary and signed by the Chairman of the Meeting together with the Secretary. In case of any conflict of interest or any other reasonable grounds, the signature of the minutes may be delegated to any other member of the Committee;

3. Functions and responsibilities of the Committee

3.1. The Committee's responsibilities shall include:

- 3.1.1. To determine, review and update, as appropriate, the remuneration policy (the “**Remuneration Policy**”) of the Bank, which shall be approved by the Supervisory Board in order for the Bank's remuneration to be in compliance with international standards and respective regulations. This shall include an assessment of the Remuneration Policy effectiveness and compliance with the statutory requirements;
- 3.1.2. To review and update annually the list of material risk takers which shall be later approved by the Supervisory Board;
- 3.1.3. To make annual recommendations to the Supervisory Board on the remuneration of the Management Board and other material risk takers;
- 3.1.4. To provide internal procedures for the purposes of disclosing information regarding the remuneration issues as requested under the Regulation on Disclosure Requirements for Commercial Banks within Pillar 3;
- 3.1.5. To determine, where appropriate with the assistance of external advisers, whether the performance measures for any performance related pay schemes and other cash based incentive plans operated by the Bank have been satisfied and the level of payments to be made;
- 3.1.6. To approve the terms of and any amendments to the service contracts of the Chief Executive Officer and other members of the Management Board;
- 3.1.7. To review and design all share incentive plans for approval by the Supervisory Board and shareholders;
- 3.1.8. To ensure that contractual terms on termination, and any payments made, are fair to the individual and the Bank, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 3.1.9. To obtain reliable, up-to-date information about remuneration in other companies to be reviewed alongside internal remuneration factors. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Supervisory Board;
- 3.2. In determining the Remuneration Policy, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, interests of members and other stakeholders. The objective of the Remuneration Policy shall be to ensure that the Management Board and other material risk takers are provided with appropriate incentives to encourage enhanced performance and are awarded for their individual contributions to the success of the Bank in a fair and responsible manner, without promoting the undue taking of risk. The Remuneration Policy shall have regard to the risk appetite of the Bank and alignment to the

strategic long-term goals of the Bank and incorporate measures aimed at avoiding conflicts of interest. The Remuneration Policy shall promote sound and effective risk management and shall not encourage risk-taking that exceeds the risk tolerance limits of the Bank. Such policy will ensure that remuneration is competitive at a level which will enable the Bank to attract, retain and motivate respective executives;

3.3. In carrying out its duties the Committee shall take into account relevant legal and regulatory requirements and best practice guidance. In addition, where appropriate, be informed by a reasonable assessment of the Bank's risk profile and appetite, the financial situation based on input from the Audit Committee Chairman, the Risk Committee and the Risk Director;

3.4. The Committee shall annually review these terms of reference and its own effectiveness, as well as review the quality of information it receives and recommend any necessary changes;

3.5. Conflicts of interest

3.5.1. The Committee shall review any interests the administrators of the Bank may have which conflict or may conflict with the interests of the Bank as per regulations of the National Bank of Georgia;

3.5.2. Make recommendations to the Supervisory Board as to whether any such conflict should be authorised and, if so, as to the terms and conditions on which any such authorisation should be given by the Supervisory Board.

3.6. Reporting

3.6.1. The Chairman of the Committee shall report to the Supervisory Board on its proceedings after each meeting on all matters within its duties and responsibilities;

3.6.2. The Committee may make any recommendation to the Supervisory Board it deems appropriate on any area within its remit where action or improvement is needed;

3.6.3. If required, the Committee shall produce a report to be included in the Bank's annual report about its activities and the remuneration issues of the Bank.

4. Other matters

4.1. The Committee shall report formally to the Supervisory Board and make relevant recommendations it deems appropriate on any area within its functions where certain action or improvement is needed;

4.2. The Committee shall have access to sufficient resources in order to carry out its duties and oversee any investigation of activities which are within its terms of reference;

4.3. The Committee is authorised by the Supervisory Board to (a) seek and request any information it requires from any employee of the Bank in order to perform its duties, (b) consult, at the Bank's expense, such persons as it deems appropriate in the performance of its obligations, including to obtain outside legal or other professional advice on any matter it believes necessary to do so, (c) call any employee to be questioned at a meeting of the Committee as and when required, (d) to delegate any or all of its powers and authorities and may establish other sub-committees at its discretion;