

“Approved”  
by the decision of the Board of Directors  
of KazakhExport EIC JSC  
dated September 26, 2019  
Minutes No.7

**Rules  
for Remuneration, Performance Appraisal and Compensation  
for Executive Employees of KazakhExport Export Insurance Company JSC**

## SUMMARY OF IRD

Name of IRD	Rules for Remuneration, Performance Appraisal and Compensation for Executive Employees of KazakhExport Export Insurance Company JSC
Owner of IRD	Human Resources Department
Access level	Public
IRD introduction activities for all employees of the Company	Sending by e-mail within 1 (one) business day from the date of placement of the IRD on the Internal Portal network disk
Details of the decision on approval of amendments / additions	

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## 1. General Provisions

1. These Rules for Remuneration, Performance Appraisal and Compensation for Executive Employees of KazakhExport Export Insurance Company JSC (hereinafter referred to as the Rules) were developed in accordance with the legislation of the Republic of Kazakhstan, requirements to the internal policies on remuneration, cash incentives, as well as other types of incentive compensations for executive employees of second-tier banks, insurance (reinsurance) organizations and forms for reporting on incomes paid to all executive employees of second-tier banks and insurance (reinsurance) organizations, established by the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 74 dated 24.02.2012, Standard rules for remuneration, performance appraisal and compensation for executive employees of legal entities, more than fifty percent of shares (participation interests) of which are directly owned by Baiterek National Managing Holding JSC on the right of ownership or trust management dated 17.07.2019 (minutes No. 36/19).

2. These Rules determine the main goals and principles of the policy of remuneration and bonuses for executive employees of KazakhExport Export Insurance Company JSC (hereinafter referred to as the Company), are based on performance indicators of the executive employees of the Company that meet the interests of the Sole Shareholder and are aimed at achieving the planned results and effective operation of the Company.

3. Key terms and abbreviations used in these Rules:

**executive employees** – Chairman and members of the Management Board;

**salary (fixed compensation)** – fixed amount of remuneration of an executive employee per month for performance of employment duties, taking into account the qualifications of the executive employee, the complexity, amount, quality and conditions of the work performed, including individual income tax, pension and other contributions in accordance with the legislation of the Republic of Kazakhstan;

**non-fixed compensation** – other forms of money compensations, additional payments, allowances, rewards, bonuses and other types of material incentives, depending on performance;

**salary plan** – a scheme that determines the amount of salaries of the executive employees of the Company and has a minimum, average and maximum values, approved by the Board of Directors of the Company;

**grade** – a reference level at which positions are grouped depending on their contribution to the achievement of the overall goal of the organization, taking into account the factors of position assessment;

**development plan** - a document that defines the core business and financial and operating indicators of the Company for a five-year period;

**budget** – a financial document of the Company intended to support its financial and economic activities for a certain financial year, with a breakdown of indicators by quarters as part of the Development Plan;

**MW** – the minimum wage established by the Law of the Republic of Kazakhstan on the Republican Budget for the relevant year;

**KPI (Key Performance Indicator)** – an indicator formed in accordance with the approved plans of the Company and other planned control performance indicators, which characterizes the performance of the Company and executive employees;

**corporate KPI** – KPIs that are included in the non-fixed compensation plan for executive employees to stimulate the employees to achieve priority goals upon the end of the reporting period, are the same for all executive employees of the Company and determine the amount of non-fixed compensation for the overall performance of the Company;

**functional KPI** – KPIs that are included in the non-fixed compensation plan for executive employees to stimulate the employees to achieve KPIs that reflect the functional responsibility of the executive employees, are established differentially for each position / executive employee in achieving the goals of the Company and determine the amount of non-fixed compensation for personal contribution and effectiveness of the executive employee;

**KPI map** – a list of KPIs in a unified form;

**target indicator** – a KPI parameter that characterizes the quantitative requirements to the KPI value for a certain period; there are three main target indicators - threshold, plan, challenge;

**threshold** – the minimum required level of performance that usually corresponds to the best of the following values: the planned value for the planned year (from the Development Plan or the Budget) and the actual value for the year preceding the planned one. The basic principle of setting the threshold is to fulfill the indicators of the Development Plan or the Budget;

**plan** – a KPI value that characterizes the expected level of high performance. The basic principle of setting a plan is to exceed your own results;

**challenge** – a KPI value that characterizes outstanding performance, facilitating the achievement of the Company's ambitious goals. The basic principle of setting a challenge is to become a leader in the respective fields of activity;

**weight of KPI** – a coefficient that determines the significance, priority of this indicator in relation to other indicators;

**effectiveness of KPI** – a value that determines the degree of achievement of the target KPIs;

**total effectiveness** – average weighted effectiveness for all types of KPIs (corporate or functional);

**Committee** – Human Resources, Remuneration and Social Affairs Committee of the Board of Directors of the Company;

**responsible unit** – a structural unit of the Company that is responsible for the administration of remuneration or performance management or strategic development or budget planning issues;

**IAS** – Internal Audit Service of the Company;

**calendar year** – a period lasting from January 1 to December 31;

**reporting period** – a period for which performance is assessed and payment of non-fixed compensation is provided (one calendar year);

**Holding** – Baiterek National Managing Holding JSC.

4. These Rules are based on the following principles:
- correlation between compensation and performance of tasks that meet the interests of the Company and its Sole Shareholder;
  - simplicity and transparency of the principles for determining the amount of compensation;
  - dependence of the amount of compensation on the performance of the Company and the effectiveness of executive employees.

## **2. Remuneration Plan**

5. The remuneration plan for executive employees is regulated by these Rules, is implemented at the expense of the funds provided for remuneration in the budget of the Company for the relevant financial year and consists of:

- salary;
- public holiday bonuses;
- performance-based compensation for the reporting period (non-fixed compensation).

6. The Board of Directors of the Company approves the salary plan for the executive employees of the Company, based on the assessment of positions and determination of grade for each position.

7. Grades are formed on the basis of assessment and grouping of positions of equal value, depending on their contribution to the achievement of the overall strategy or goal of the Company, taking into account the following assessment factors:

1) knowledge and skills - a set of knowledge, skills and experience necessary to perform official duties at a standard level;

2) solution of issues - the level and nature of thinking required in the position for analysis, reasoning, assessment, creation of solutions, generation of hypotheses and conclusions;

3) responsibility - characterizes the degree of accountability of the position for actions and consequences of these actions, reflects the impact of the position on the final performance of the organization.

8. The positions of the executive employees of the Company are assessed in accordance with an internal regulatory document of the Company by engaging external experts or experts of the Holding, whose opinion is an integral part of the materials submitted to the Committee for approval or making amendments to the salary plan.

9. Based on the results of the assessment of positions, a grade is assigned to each position that reflects the level of the position by a set of assessment factors.

10. A grade may be changed in case of a change in the organizational structure of the Company, organizational changes (introduction of a new position, exclusion of a position, significant change in job duties, etc.) or changes to the Company's Strategy.

11. The structure of grades and distribution of positions by grades based on the assessment of positions, as well as changes in the grades of executive employees are

reflected in the salary plans approved by the decision of the Board of Directors of the Company as recommended by the Committee.

12. The approved grades of executive positions, reflected in the salary plan, are included in the general structure of the Company's grades.

13. The amount of salary of executive employees is determined by the Board of Directors of the Company differentially, depending on the complexity and scope of work performed in accordance with the salary plan in the range from the minimum to the maximum value of the bracket established for this grade in accordance with the following rules:

**lower zone (min)** can be set for an appointed executive employee, as well as the current executive employee, whose total effectiveness of functional and / or corporate KPIs at the end of the calendar year is determined at a level not higher than the "threshold";

**middle zone (med1, med2, med3)** can be set for an appointed executive employee who has experience in senior positions in the Holding and / or a subsidiary of the Holding, or the current executive employee whose total effectiveness of functional and / or corporate KPIs at the end of the calendar year is determined at a level above the "threshold" but below the "challenge";

**upper zone (max)** can be set for the current executive employee, whose total effectiveness of functional and / or corporate KPIs at the end of the calendar year is determined at the "challenge" level.

14. The amount of salary of executive employees is established taking into account the individual income tax, pension and other contributions in accordance with the legislation of the Republic of Kazakhstan.

15. The amount of salary of executive employees may be changed by decision of the Board of Directors of the Company not more than 1 (one) time per calendar year. When changing the salary, the Board of Directors of the Company has the right to take into account the achievement of KPIs by the executive employee.

16. In case of an early termination of the powers of an executive employee in accordance with Article 50, subparagraphs 1-3), 23-24) of paragraph 1 of Article 52, Article 55, subparagraphs 3), 5-6) of paragraph 1 of Article 57 or Article 59 of the Labor Code of the Republic of Kazakhstan, in accordance with the decision of the Board of Directors of the Company, a compensation may be paid to him/her for early termination of the employment contract, subject to availability of funds in the budget of the Company. The amount of the compensation payment is calculated in proportion to the period worked by the executive employee until the end of the established overall term of office of the Management Board of the Company, based on 4 (four) official salaries minus individual income tax, pension and other contributions in accordance with the legislation of the Republic of Kazakhstan for the entire overall term of office of the Management Board of the Company.

17. The performance of executive employees is appraised as per KPIs to enhance the interest in improving the Company's performance, following which non-fixed compensation can be paid, the conditions and procedure for payment of which are determined by these Rules.

18. In accordance with the order of the Chairman of the Management Board of the Company, or a person authorized by him/her in accordance with the decision of the Board of Directors of the Company, executive employees may receive bonuses on the occasion of a public holiday of the Republic of Kazakhstan, with the total annual amount of this bonus for 1 (one) executive employee not exceeding 10 (ten) MWs established by the legislation of the Republic of Kazakhstan on the Republican Budget for the relevant financial year after deduction of all taxes, mandatory contributions and payments in accordance with the legislation of the Republic of Kazakhstan.

### **3. Performance Appraisal**

19. The performance appraisal procedure for executive employees of the Company consists of the following stages:

- 1) selection of KPIs, setting target values;
- 2) approval of KPIs;
- 3) calculation and agreement upon actual effectiveness with the IAS;
- 4) recommendations of the Committee and decision-making by the Board of Directors of the Company regarding payment / non-payment of performance-based non-fixed compensation for the reporting period.

20. KPIs are developed in the form as set out in Annex 1 to these Rules, by cascading the strategic goals of the Company, based on the area of responsibility assigned to a certain position / executive employee, as well as the functions and business objectives of each position. The optimal quantity of KPIs for each section (corporate, functional) is at least 3 (three) and not more than 5 (five) indicators.

21. KPI maps are submitted by the responsible unit for approval to the Board of Directors of the Company in accordance with the established procedure not later than December 31 of the year preceding the reporting year.

22. A KPI map may be adjusted by the Board of Directors of the Company as recommended by the Committee in case of any unforeseen circumstances that significantly affect the effectiveness of indicators, as well as for the following reasons:

- adjustments to the Development Strategy of the Company / Holding;
- new / changes in existing business processes / business lines of the Company;
- changes in the organizational structure of the Company;
- adjustments to the Development Plan and / or Budget of the Company.

23. KPIs can be adjusted not later than August 31 of the reporting year.

24. In case of a replacement of an executive employee supervising a certain business process / business line, the responsible unit shall immediately provide the approved KPI map to the executive employee appointed as responsible for the business process / business line for information. At the same time, if the initial list and other parameters of the KPI map do not change, the issue of replacing the KPI owner is not submitted for consideration to the Board of Directors of the Company.

25. Upon the end of the reporting period, the responsible unit collects information on the actual KPI values of the executive employees of the Company, performs an assessment of the actual effectiveness in accordance with Annex 1 to these Rules and



submits the materials to the IAS to confirm the reliability of the actual KPI values. At the same time, the heads of the structural units of the Company are responsible for the reliability and accuracy of provided information on the actual KPI values of executive employees within their competence.

26. Based on the actual KPI effectiveness, agreed upon with the IAS, the responsible unit calculates the amount of non-fixed compensation for executive employees in accordance with Annex 2 to these Rules and submits it to the Committee for consideration in accordance with the established procedure.

27. The Committee conducts a performance appraisal and prepares recommendations for subsequent decision-making by the Board of Directors of the Company regarding approval of the actual effectiveness of the KPI maps and payment / non-payment of non-fixed compensation to executive employees for the reporting period.

#### **4. Performance-Based Compensation (Non-Fixed Compensation)**

28. Performance-based non-fixed compensation for the reporting period is paid to executive employees, depending on the results of their work, to provide material incentives for the achieved success and improve work efficiency. It is not permanent and is not taken into account when calculating the average wage.

29. The basis for payment of non-fixed compensation for the reporting period is the decision of the Board of Directors of the Company and, if necessary, the order of the Chairman of the Management Board of the Company or a person authorized by him/her.

30. Performance-based non-fixed compensation for the reporting period is paid within the limits of the funds provided for these purposes in the budget of the Company, after the financial and operating results according to the audited financial statements for the reporting period are approved in accordance with the established procedure.

31. The planned amount of funds for payment of performance-based non-fixed compensation for the year is calculated on the basis of not more than 6 (six) salaries for each executive employee in accordance with the approved staffing table.

32. Based on the work results for the year, one of the parts of the non-fixed compensation may be suspended in accordance with the procedure provided for by subparagraph 1) of paragraph 4 of the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 74 dated 24.02.2012 “On establishing requirements to the internal policies on remuneration, cash incentives, as well as other types of incentive compensations for executive employees of second-tier banks, insurance (reinsurance) organizations and forms for reporting on incomes paid to all executive employees of second-tier banks and insurance (reinsurance) organizations”.

33. Performance-based non-fixed compensation for the reporting period is calculated in proportion to the hours actually worked in the relevant position in the reporting period. At the same time, the hours actually worked do not include the unpaid leave period, the sick leave period and the disciplinary sanction period. However, the

calculation of days for payment of non-fixed compensation includes the vacation leave period and the business trip period (including advanced training courses with a duration of not more than 30 calendar days in the reporting year).

34. In case of any change in the salary during the reporting period, the non-fixed compensation is calculated based on the amount of the established salary in a specific period in proportion to the hours worked.

35. In case of expiration (termination) of the employment contract during the reporting year on the grounds provided for in subparagraphs 2), 6), 20) and 23) of paragraph 1 of Article 52, subparagraphs 3), 4), 5) and 6) of paragraph 1 of Article 57, Articles 51, 55, 58 and 59 of the Labor Code of the Republic of Kazakhstan, non-fixed compensation is paid in accordance with these Rules subject to a duly approved KPI map, in proportion to the hours actually worked.

36. In case of expiration (termination) of the employment contract during the reporting period on other grounds provided for by the labor legislation of the Republic of Kazakhstan, non-fixed compensation is not paid.

37. Non-fixed compensation is not paid when:

- the total effectiveness of corporate KPIs is less than 75% (to all executive employees who worked and were eligible to receive compensation in the reporting period);

- the total effectiveness of functional KPIs is less than 75% (to the executive employee responsible for implementation of these KPIs).

38. The Board of Directors of the Company has the right to make a decision to reduce the performance-based non-fixed compensation for the reporting period if the effectiveness of certain corporate KPIs is less than the threshold.

39. The amount of performance-based non-fixed compensation for the reporting period is calculated by the responsible unit in accordance with the method set out in Annex 3 to these Rules.

40. Decisions on the issues related to accrual and payment of non-fixed compensation that are not regulated by these Rules, are made by the Board of Directors of the Company as recommended by the Committee.

41. The actual amount of funds for accrual of performance-based non-fixed compensation is formed in accounting by creating a reserve.

42. Performance-based non-fixed compensation for the reporting period, calculated in accordance with these Rules, is paid after deduction of individual income tax, pension and other contributions in accordance with the legislation of the Republic of Kazakhstan.

43. The main condition for payment of performance-based non-fixed compensation for the reporting period is availability of net profit for the reporting calendar year, calculated taking into account the planned amount for payment of non-fixed compensation, and / or achievement of the planned financial result.

44. The total annual amount of the performance-based non-fixed compensation of an executive employee for the year shall not exceed 6 (six) salaries.

45. Executive employees who have actually worked as members of the executive body of the Company for at least 3 (three) months in the reporting year, for which the

Board of Directors of the Company approved KPI maps by October 1 of the reporting calendar year, are eligible to receive non-fixed compensation.

**5. Final Provisions**

46. All types of social support provided for by the internal documents of the Company apply to executive employees.

47. Any compensations, additional payments, allowances, bonuses and other types of incentives for executive employees in cash or in kind that are not provided for by these Rules, are not allowed.

48. The effect of paragraph 37 shall be suspended until August 1, 2020, and during the suspension period this paragraph shall be amended as follows:

“37. Performance-based non-fixed compensation for the reporting period is not paid to executive employees when the total effectiveness is less than 70%.”

49. The effect of paragraph 1 of the Method for calculation of the amount of performance-based non-fixed compensation set out in Annex 3 to these Rules shall be suspended until August 1, 2020, and during the suspension period this paragraph shall be amended as follows:

“1. The basic amount of performance-based non-fixed compensation for the reporting period (C) is equal to six monthly salaries of executive employee.”.

**Annex 3**  
to the Rules for Remuneration,  
Performance Appraisal and Compensation  
for Executive Employees of KazakhExport  
EIC JSC

**Method for calculation of the amount of performance-based non-fixed compensation**

1. The basic amount of performance-based non-fixed compensation for the reporting period (C) is calculated using the following formula:

$$C = S * \text{Max} / 1.25$$

where

**S** – salary of executive employee

**Max** – coefficient of the maximum amount of non-fixed compensation, equal to not more than 6.

2. The effectiveness of each KPI is calculated according to the scheme presented in Table 1.

Table 1

<b>Actual value as per KPI</b>	<b>Effectiveness as per KPI</b>
Less than THRESHOLD	0
Equal to THRESHOLD	75
Between THRESHOLD and GOAL	(Actual - Threshold / Goal - Threshold) * 25 + 75
Equal to GOAL	100
Between GOAL and CHALLENGE	(Actual - Goal / Challenge - Goal) * 25 + 100
More than or equal to CHALLENGE	125

3. The effectiveness of each type of KPIs (corporate and functional) is calculated separately using the following formula:

$$\sum_{i=1}^n \text{Effectiveness\_as\_per\_KPI}_i * \text{Weight\_of\_KPI}_i,$$

where n – quantity of KPI,

i – sequence number of KPI.

4. The proportion of non-fixed compensation for achievement of corporate and functional KPIs depends on the job levels in accordance with the degree of the position's impact on achievement of the strategic goals of the Holding and is calculated in accordance with Table 2.

Table 2

<b>Job title</b>	<b>Corporate KPI</b>	<b>Functional KPI</b>
Chairman of the Management Board	80%	20%
Deputy Chairman of the Management Board	70%	30%
Other members of the Management Board	60%	40%

5. The amount of non-fixed compensation for effectiveness of corporate KPIs (**Cc**) is calculated using the following formula:

$$\mathbf{C_c = C * P_c * C_1 / 100,}$$

where

**C** – basic amount of non-fixed compensation;

**P<sub>c</sub>** – proportion of non-fixed compensation for achievement of corporate KPIs;

**C<sub>1</sub>** – coefficient that depends on the effectiveness achieved by the executive employee as per corporate KPIs.

6. The amount of non-fixed compensation for effectiveness of functional KPIs (**Ce**) is calculated using the following formula:

$$\mathbf{C_e = C * P_f * C_2 / 100,}$$

where

**C** – basic amount of non-fixed compensation;

**P<sub>f</sub>** – proportion of non-fixed compensation for achievement of functional KPIs;

**C<sub>2</sub>** – coefficient that depends on the effectiveness achieved by the executive employee as per functional KPIs.

7. The total amount of non-fixed compensation (**Cyear**) is calculated as a sum of the non-fixed compensation for achievement of corporate KPIs (**Cc**) and the non-fixed compensation for achievement of functional KPIs of the executive employee (**Ce**):

$$\mathbf{C_{year} = C_c + C_e}$$

8. The actual amount (**Ca**) of non-fixed compensation is calculated using the following formula:

$$\mathbf{C_a = C_{year} / T_s * T_a,}$$

where

**Cyear** - amount of non-fixed compensation for effectiveness of KPIs (**Cyear**);

**T<sub>s</sub>** – working time standard according to the occupational calendar for the reporting period;

**T<sub>a</sub>** – hours actually worked.