RESOLUTON OF THE BOARD OF THE NATIONAL BANK OF THE REPUBLIC OF BELARUS
No. 557 dated October 30, 2012

On approval of the Instruction on Organization of Corporate Governance of a Bank, Development Bank of the Republic of Belarus JSC, Non-bank Financial Institution

Amendments and additions:

Resolution of the Board of the National Bank of the Republic of Belarus dated 1 October, 2013, No.567 (National Legal Internet Portal of the Republic of Belarus, 19.10.2013, 8/27973);

Resolution of the Board of the National Bank of the Republic of Belarus dated 13 August, 2015, No.482 (National Legal Internet Portal of the Republic of Belarus, 05.09.2015, 8/30209);

Resolution of the Board of the National Bank of the Republic of Belarus dated 10 June, 2016, No.311 (National Legal Internet Portal of the Republic of Belarus, 08.07.2016, 8/31080);

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 June, 2016, No.361 (National Legal Internet Portal of the Republic of Belarus, 26.07.2016, 8/31115);

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 December, 2017, No.544 (National Legal Internet Portal of the Republic of Belarus, 18.01.2018, 8/32736);

By virtue of the third paragraph in the fourth part of Article 34, the first part of Article 39, the third, fifth and twenty-fourth of Article 109^1 of the Banking Code of the Republic of Belarus and in execution of the third paragraph of Article 4 of the Law of the Republic of Belarus dated 13 July, 2012 On Making Additions and Amendments in the Banking Code of the Republic of Belarus, the Board of the National Bank of the Republic of Belarus hereby DECIDES:

1. To approve the enclosed Instruction on Organization of Corporate Governance of a Bank, Development Bank of the Republic of Belarus JSC, Non-bank Financial Institution.

2. This Resolution shall come into effect since 22 January, 2013.

Chairman of the Board **N.A.Yermakova**

APPROVED

Resolution of the
Board of the National Bank of
the Republic of Belarus
No. 557 dated October 30, 2012

INSTRUCTIONS
on Organization of Corporate Governance of a Bank, Development Bank of the Republic of Belarus JSC, Non-bank Financial Institution

CHAPTER 1
GENERAL PROVISIONS

1. The Instructions provide for the requirements to organization by banks, Development Bank of the Republic of Belarus JSC and non-bank financial institutions (hereinafter – the banks, except as otherwise expressly stated) of corporate governance, which is designed to ensure the financial stability thereof.

2. Organization of a bank's corporate governance, compliant with the requirements stipulated herein, is regulated by the bank's statute and local regulatory legal acts.

3. Corporate governance of a bank is aimed at attaining the goals and implementing the development strategy of such bank, including the assurance of its financial stability and viability as a profit-making organization.

4. The key objectives of the bank's corporate governance are:

to provide strategic planning, including the definition of goals and development strategy by way of working out and approving the bank's business plan/strategic development plan, the approval of the bank's credit, investment, and other policies, as well as organization of these policies' implementation and control over it;

to distribute authority among the bank's management bodies and officers so as to exclude the possibility of a conflict of interests occurrence and to ensure the balance of interests of the bank, its shareholders, other beneficial owners, members of its management bodies, and other parties concerned;

to ensure the bank's compliance with law, its statute and local regulatory legal acts, and principles of professional ethics;

to ensure that the bank has an adequate remuneration and compensation scheme corresponding to its risk-profile and level of activity and aimed at the performance by bank's management bodies and officers of all the tasks required to attain the bank's goals and implement the bank's development strategy and directions; and

to manage the conflict of interests that may occur in the course of the bank's operation, including by way of developing a set of measures aimed at identifying and preventing the conflict of interests and eliminating factors that may lead to it.

5. A duly organized and performed corporate governance of a bank shall ensure:

the consistency of procedures for the establishment of the bank's management bodies and authority thereof with the bank's size, structure, economic value, volume and complexity of performed operations, ant its risk profile;

inner assessment of corporate governance efficiency (at least once per three years), including with the involvement of an officer responsible for inner controls and of inner audit function as well as putting suggestions on the improvement of corporate governance of the bank before the bank's board of directors/supervisory board (hereinafter – the board of directors) or the general meeting of the bank's shareholders according to these management bodies' authority stipulated by the bank's statute;

external independent assessment of corporate governance efficiency (at least once per three years), including the assessment of performance efficiency of the board of directors;

a timely disclosure of comprehensive and reliable information on the bank, such information being needed for the assessment of performance of the bank's management bodies, the relations of the bank and its management bodies with insiders and persons related thereto, as well as for enabling the bank's shareholders, depositors, and other parties concerned to take reasonable decisions;

a timely and close consideration by the bank's management bodies of issues falling within their competence, including regular holding of scheduled meetings and expeditious convention of extraordinary ones;

a proper and timely finalization of decisions taken by the bank's collegiate management bodies;

the avoidance of token approach when it comes to consideration by the bank's management bodies of issues that call for concrete managerial decisions;

adequate control by the bank's management bodies, officer in charge of internal controls, and internal audit function over the bank's organizational units;

conformity of remunerations and compensations payable to the members of the management bodies and to other bank's officers with the bank's performance results and risks accepted by the bank;

the protection of rights and interests of the bank's shareholders, depositors, and other customers and counterparties, including by way of guaranteeing them an equal opportunity for exercising the rights provided for by law and the bank's statute as well as by way of meeting by the bank of its obligations thereto in full and in a timely manner.

CHAPTER 2
REQUIREMENTS TO THE BANK'S MANAGEMENT BODIES

6. The authority, procedures for convening and holding the shareholders' general meeting and for taking decisions thereby, as well as procedures for the bank's cooperation with the shareholders, such procedures enabling the latter to exercise their rights, are stipulated by the bank's statute and/or local regulatory legal acts, which require, inter alia, that:

shareholders are informed on the relevant issues in a timely manner and are enabled to participate in the discussions of issues put before the shareholders' general meeting and in voting;

in the course of preparing for the shareholders' general meeting shareholders are provided with information sufficient for taking a decision and represented in a comprehensible form as regards each item on the agenda;

shareholders receive reports on the progress in implementing the bank's business plan/strategic development plan when it comes to considering the bank's performance for the year;

members of the board of directors and executive board are elected in compliance with procedures that ensure representation and protection, in the framework of activities of the bank's board of directors and executive board, of rights and legitimate interests of shareholders, including the minority ones; and

shareholders are informed of the results of external independent assessment of corporate governance efficiency, including the assessment of performance efficiency of the board of directors, of the results of self-assessment of performance efficiency of the board of directors, its members, as well as internal assessment of the bank's executive body performance efficiency.

7. The general management of a bank is performed by the board of directors, which:

provides for the arrangement of the system of corporate governance of the bank;

monitors the performance of the bank's executive body, including by way of regularly checking its reports on the attainment of the bank's goals, implementation of the development strategy, and execution of the board of directors' decisions;

determines corporate values and rules, including principles of professional ethics;

provides for efficient functioning of risk management, internal control and remuneration and compensation systems in the bank, bank group and (or) bank holding company, a parent organization of which being this bank, on a consolidated basis;

ensures the compliance by the bank as a whole and monitors the compliance by the bank's executive body with law and the bank's Articles of Association and local regulatory legal acts;

defines the personnel policy, including as it pertains to the appointment and succession issues, and labor motivation policy, including payment of remuneration and compensation, such policies being consistent with the bank's goals and development strategy as well as its financial position and risk-profile attributed to bank and bank employees' performance indicators, their influence upon the bank's risk-profile;

defines the bank's policy in respect of the conflict of interests and takes measures to ensure the transparency of corporate governance of the bank;

arranges for transparent procedures of selection of candidate members of the board of directors formalized in local regulatory legal acts, including the assessment of the necessary experience, knowledge and time for fulfilling obligations in full, analysis to determine a potential conflict of interests, provision of shareholders with data on a recommended candidate, as well as the procedures of initiation of a newly elected member of the board of directors and of expulsion of the member from the board of directors (re-election of the member of the board of directors) in case when he/she has ceased to correspond to the requirements imposed (including to business standing) or his/her activity has been declared inefficient;

conducts annual self-assessment of the performance efficiency of the board of directors, its members, as well as the internal assessment of the bank's executive body performance efficiency;

sets qualification and business reputation requirements to be guided by when selecting a head of the internal audit function, and executive officers responsible for the bank's risk management and internal control respectively as well as monitors the officers' compliance with the requirements specified; and

supervises the execution of the performance of bank transactions with insiders and related persons on a non-concessional basis.

8. The bank and its shareholders shall take measures aimed at preventing the board of directors from considering issues related to the bank's certain asset-related operations and operational management of the bank's activities, save as otherwise provided by law and/or the bank's statute, as well as from any

other intervention of the board of directors or any members thereof into operational management of the bank's activities.

9. The fulfillment by the board of directors of its functions shall be ensured by means of timely provision by the bank of comprehensive and objective information on the issues in question, the information being represented in a comprehensible form. A timely provision of information implies that:

the executive body shall submit reports on the bank's current activities to the board of directors, the reports demonstrating the bank's financial performance and results of operating activities and making it possible to assess the attainment of target indicators set in the bank's business plan/strategic development plan; and

the bank's executive body, officer responsible for the bank's internal controls, and internal audit function shall inform the board of directors and/or committees established thereby on the detected violations of law, resolutions of the National Bank of the Republic of Belarus on application of supervisory response measures against the bank, and the bank's local regulatory legal acts, where such violations may affect the efficiency of corporate governance or financial soundness of the bank.

10. The size and composition of the board of directors shall be consistent with the range and type of the bank's activities as well as with the bank's goals and development strategy and shall be formed so as to ensure:

the possibility of arranging the meetings of the board of directors mainly in the form of physical meetings (including with the use of mechanical media) with a quorum present with the frequency allowing for timely managerial decision-making (but at least once per quarter);

availability of aggregate expertise and best practices necessary for effective management and decision-making; and

the formation and proper functioning of committees established by the board of directors.

11. Members of the board of directors shall:

have knowledge of the structure of corporate governance of the bank, functions of the board of directors, the organizational structure of the bank, bank group and (or) bank holding company, a parent organization of which being this bank, have knowledge of risks inherent to their activity, and permanently upgrade their skills in the sphere of finances, risks, corporate governance (participate in training events);

form their own informed expert opinion on the issues in question independent of viewpoints of other members of the board of directors, executive body, or the bank's staff;

be guided in decision-making by principles of prudence and loyalty, according to which a member of the board of directors shall perform the assigned duties in a reasonable, scrupulous, and prudent manner in the interests of the bank and all its shareholders and avoid using his/her powers to his/her own advantage or the advantage of an individual/group of people;

avoid any actions that may lead to a conflict of interests as well as notify the board of directors, in an expeditious manner, of any arisen conflict of interests and take measures to resolve it;

participate in the meetings of the board of directors and of committees of the board of directors (in case of serving on such committees), without being entitled to delegate the relevant powers to any third party;

inform, in a timely manner, the board of directors of facts that may affect the ability to participate in the activities thereof (sick leave, vacation leave, or business trip) and to make decisions in line with the principles of prudence and loyalty; and

maintain the confidentiality of information representing commercial, banking or any other secrecy protected by law, where such secret became known because of participating in the board of directors' activities.

12. When electing the members of the board of directors the shareholders' general meeting shall state in its resolution those chosen as independent directors.

The principal function of an independent director is to participate in the decision-making process of the bank's board of directors with respect to defining the bank's development strategy, checking on the consistency of executive bodies' activities with the defined strategy, self-assessment of the performance efficiency of the board of directors, its members, as well as the internal assessment of the bank's executive body performance efficiency, shaping the policy aimed at managing the conflict of interests and resolving the conflict of interests involving shareholders, protecting the interests of the bank's minority shareholders, and other issues affecting the interests of the bank's shareholders.

The bank shall notify the National Bank of the Republic of Belarus if early termination of powers of an independent director is put on the agenda of the general meeting of the bank's shareholders within the time stipulated by Article 118^1 of the Banking Code of the Republic of Belarus.

13. The board of directors establishes from its members and bank's officers an audit committee and a risk committee chaired by independent directors.

A remuneration committee chaired by an independent director shall be established by the board of directors from its members and bank's officers in banks, non-bank financial institutions designated as systemically important in accordance with the requirements of the National Bank, Development Bank of the Republic of Belarus JSC.

For the avoidance of a conflict of interests, one independent director may not head the audit committee, and (or) risk committee, and (or) remuneration committee at the same time. Each of the specified committees must be composed at least in half of the members of the board of directors.

The board of directors may set up other committees from its members and bank's officers for preliminary consideration of most important issues that fall within the competence thereof.

The primary task of committees set up by the board of directors is to properly prepare the decisions of the board of directors on the issues falling within the competence thereof by way of conducting an in-depth study of these issues and producing the relevant recommendations. Within their competence the committees:

analyze the attainment of the bank's goals and implementation of the bank's strategy and monitor the execution of the board of directors' decisions; and

put their recommendations and regular reports on the bank's performance before the board of directors.

The authority of committees, the procedures for the establishment thereof and for coordination between them and the bank's management bodies, their rights and obligations, as well as their size and composition shall be determined by the board of directors, except where the law provides otherwise.

Meetings of the audit committee and the risk committee must be held with the frequency allowing for timely provision of the board of directors with the information for managerial decision-making (but at least once per month).

14. The principal task of a bank's executive body is to perform operational management of the bank to ensure the compliance of the bank's activities with the adopted local regulatory legal acts that determine the bank's development strategy, risk management strategy, its credit, investment, accounting, and other policies as well as to ensure the functioning of the bank's corporate governance system, risk management, internal control and remuneration and compensation systems.

CHAPTER 3
AREAS OF AND FACTORS BEHIND A CONFLICT OF INTERESTS

15. For the purposes of these Instructions, a conflict of interests shall be understood to mean a contradiction between ownership interests and/or other interests of a bank and those of its shareholders (other beneficiaries), management bodies and members thereof, organizations constituting a part of a bank group and (or) bank holding company, a parent organization of which being this bank, organizational units, employees, and customers which may adversely affect the bank and/or its customers.

16. The areas of a conflict of interests include contradictions between:

the bank's strategic interests (profit earning, assurance of financial stability, the bank's viability as a profit-making institution, organization of an efficient corporate governance, maintenance of its business reputation, accomplishment of social and economic tasks, and other interests);

the interests of the bank's management bodies, members thereof, and the bank's employees and the bank itself as an institution;

the interests of the board of directors, members thereof and the bank's executive body, members thereof, and the bank's employees;

the ownership interests and/or other interests of the bank and those of its customers and shareholders (beneficial owners);

interests of the bank and organizations constituting a part of a bank group and (or) bank holding company, a parent organization of which being this bank;

the interests of organizational units (officers) that generate risks and of organizational units (officers) that manage these risks or exercise internal control; and

the professional duties of a bank's employee/powers of a bank's organizational unit, such as the development of the bank's local regulatory legal acts and checking on the adequacy thereof, performance of risk-related operations and management of this risk, performance of given operations and control over the accuracy thereof, and other duties.

17. The factors that may lead to a conflict of interests include:

non-compliance of the bank's management bodies, officers, and employees with law and the bank's local regulatory legal acts, including as it pertains to the delineation of authority, and violation of business rules and principles of professional ethics;

the bank's inadequate organizational structure;

performance by organizational units and/or particular employees of functions that are not part of their duties;

absence or lack of qualified personnel;

violation of principle that implies the priority of interests of the bank and its customers over private interests and abuse of official position to one's personal advantage;

election of a bank's employee, employee of other organization performing bank operations as a member of the board of directors;

participation of a member of the board of directors (supervisory board), a head, his/her deputy, a member of the collective executive body or a bank official, their spouse and/or close relatives in the authorized fund of a commercial organization that is a client or other counterparty of the bank, if such participation totals to five and more percent, as well as the possession by such persons of property of such commercial organization;

the bank's management body members' having other interests in organizations that are clients or counterparties of the bank and (or) in organizations constituting a part of a bank group and (or) bank holding company, a parent organization of which being this bank,;

occupation by a head, his/her deputy or member of the bank's collective executive body of position of an executive officer or other officer in some other organization or being a member of the management bodies thereof;

use by the bank's management body member or officer of his/her powers in the bank to the advantage of a shareholder/beneficial owner, depositor, customer or other interested party regardless of interests of the bank's financial stability.

18. A bank shall specify in its local regulatory legal acts and at its own discretion, based on the nature of each conflict of interest occurred or formed conditions for arising thereof, implement measures designed to prevent a conflict of interest and eliminate factors that may lead to it as well as measures designed to manage a conflict of interests, including those aimed at:

identifying, in a most thorough and timely manner, the existing and potential areas of and factors that may lead to a conflict of interest as well as an arisen conflict of interests and coordinating the actions of the bank's management bodies designed to prevent a conflict of interests and eliminate factors that may lead to it;

preventing the areas of and factors that may lead to a conflict of interests from emerging by way of developing a set of guidelines designed to prevent it, such guidelines being mandatory for the bank's management bodies, officers, and employees to follow;

resolving a conflict between a bank's management body and its shareholders as well as between the shareholders, should such conflict affect the bank's interests;

preventing a member of the board of directors, a head, his/her deputy, member of the collective executive body, other officers of the bank from considering and/or voting on issues in which they have their private interest or in which some other organization where such members or officers are employees or members of a management body thereof has its interest, or in which such members or officers have some other interest that may lead to a conflict of interests;

ensuring that the bank's officers, members of its management bodies, and employees do not derive, both directly or by proxy, any financial and/or personal benefit from performing their official duties; and

resolving a conflict of interests by way of establishing the procedures that those involved in it/those who may get involved in it and the bank's officers must follow in case a conflict of interests or factors that may lead to it are identified.

Along with the above-stated measures, the bank’s local regulatory legal acts may as well provide for other measures aimed at preventing a conflict of interests and eliminating factors that may lead to it, and managing the arising conflicts of interests.

CHAPTER 4
REMUNERATION AND COMPENSATION SYSTEM ORGANIZATION

19. A remuneration and compensation system shall be organized with due regard to long-term goals defined by the bank’s business plan and (or) strategic development plan, its risk-profile and level of activity and shall provide for setting the amounts of remunerations and compensations based on the bank’s performance results and risks accepted by an employee and (or) bank.

20. The remuneration and compensation system must be aimed at:

encouraging bank’s officers to carry out activities in favor of the bank and under due consideration of the interests of bank’s clients (counterparties);

exception of cases of conducting activities by bank’s officers for personal advantage;

exception of cases of accepting risks that are substantial for the bank in contravention of limits of risks set.

21. The remuneration and compensation system and its application procedure, and all forms of payment for labour and payment types used in the bank and envisaged by the remuneration system in light of the legal requirements are to be fixed in the bank’s Articles of Association and (or) local regulatory legal acts to be approved by the board of directors and (or) general meeting of shareholders within their authorities enshrined in legislation, the bank’s Articles of Association, local regulatory legal acts.

22. The remuneration and compensation system properly organized provides for:

setting the amount and procedure of payment of remunerations and compensations depending on the performance results of employees and (or) the bank with due regard to risks accepted by them, banks’ risk-profile and level of activity;

reducing the amount of or cancelling the payment of remunerations and compensations in case of violation of limits of risk set, internal risk management processes, statutory requirements, implementation of risks accepted by an employee and (or) the bank, inefficient and (or) loss-making activity of the bank;

payment to a head, his/her deputies, members of the bank’s collective executive body of a performance-based compensation for the reporting year or an annual bonus by installments during several years;

possibility to cancel the payment to a head, his/her deputies, members of the bank's collective executive body or reduce the amount of performance-based compensation (a part thereof) for the reporting year or of an annual bonus in the event of default of terms as specified by the bank's general meeting of shareholders.

23. The remuneration committee or the bank's board of directors in the absence of the remuneration committee shall:

monitor the compliance with decisions taken with regard to the remuneration and compensation system;

assess the conformity of the remuneration and compensation system with the requirements imposed on functioning thereof.

The board of directors considers management statements of the remuneration and compensation system efficiency on a regular basis. The statements as mentioned above shall be sufficient for timely managerial decision-making.

24. The board of directors or the remuneration committee set a list of employees accepting risks.

The list of employees accepting risks shall include bank's officers taking decisions, including members of collective bodies, about the implementation of operations and deals by the bank, the results of which may materially affect the level of risks accepted by the bank and (or) lead to the situation threatening the safe functioning of the bank and (or) depositors' and other bank creditors' interests, a bank's head, his/her deputies, members of the bank's collective executive body, a chief accountant of the bank.

25. Terms of remuneration and compensation payment to a bank's head, his/her deputies, members of the bank's collective executive body, a chief accountant of the bank, other bank's officers included on the list of employees accepting risks, as well as to a bank official responsible for the risk management, a bank official responsible for the internal control, a head of the internal audit function, a head of the internal control service shall be determined by the bank's board of directors and (or) general meeting of shareholders within their authorities enshrined in legislation, the bank's Articles of Association, local regulatory legal acts.