

## **BANK OF GEORGIA GROUP PLC REMUNERATION COMMITTEE TERMS OF REFERENCE**

These terms of reference identify and formalise the roles, tasks and responsibilities of the Remuneration Committee (the **Committee**) of Bank of Georgia Group PLC (the **Company**) and the authority delegated to the Committee by the board of directors of the Company (the **Board**) to monitor the remuneration of the Company's executive directors and the remuneration framework for the Company's senior management and employees. References to the **Group** shall mean the Company and its subsidiaries.

### **1 MEMBERSHIP**

- 1.1 The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Committee (the **Committee Chairman**), and shall consist of a minimum of three members, all of whom shall be independent non-executive directors. The chairman of the Board may also serve on the Committee as an additional member if he was considered independent on appointment as chairman.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group CEO, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary, but in the event of a vote, such persons shall not be entitled to vote.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director continues to meet the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. As with any selection process, the appointment shall be made based on merit and in accordance with the Company's diversity policy. Before appointment as Committee Chairman, the appointee should, if possible, have served on a remuneration committee for at least 12 months. The chairman of the Board shall not be the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 1.5 If a regular member is unable to act due to absence, illness or any other cause, the member or, failing him, the Committee Chairman may appoint another independent non-executive director of the Company to serve as an alternate member.

### **2 SECRETARY**

- 2.1 The Company Secretary or his or her nominee shall act as the secretary of the Committee (**the Secretary**).

### **3 QUORUM**

- 3.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **4 FREQUENCY OF MEETINGS**

- 4.1 The Committee shall meet not less than twice a year and otherwise as the Board or the Committee Chairman shall require.

## **5 NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be summoned by the Secretary at the request of the Committee Chairman or of any other member of the Committee.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and, any other person required to attend not less than five working days prior to the date of the meeting. Supporting papers shall be sent to members of the Committee, and to other attendees as appropriate, at the same time.

## **6 MINUTES OF MEETINGS**

- 6.1 The Secretary shall prepare minutes of the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Unless a conflict of interest exists, all other members of the Board may request copies of the minutes of meetings of the Committee from the Committee Chairman or the Secretary.

## **7 ANNUAL GENERAL MEETING**

- 7.1 The Committee Chairman shall attend the annual general meetings of the Company and shall be prepared to respond to any questions from shareholders concerning the Committee's activities.

## **8 DUTIES**

- 8.1 The Committee shall:
- (a) determine and make recommendations to the Board on the framework or broad policy for the remuneration of the Company's chairman, the Group CEO and the executive directors. The remuneration of non-executive directors shall be a matter for the chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration or be present during discussions of matters relating to him or her individually
  - (b) in determining such policy, ensure that remuneration is designed to support strategy and promote the long term sustainable success of the Company, taking into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance including but not limited to it being clearly linked to the successful delivery of the Company's long-term strategy;
  - (c) ensure that performance-related elements of executive directors' remuneration is transparent, stretching and rigorously applied;
  - (d) when setting remuneration policy for directors be sensitive to pay and employment conditions elsewhere in the Group. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce;
  - (e) review the ongoing appropriateness and relevance of the remuneration policy and seek shareholder approval at least every three years in accordance with regulatory requirements;
  - (f) approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
  - (g) design its remuneration policy and practices so that they are:
    - i transparent and promote effective engagement with shareholders and the workforce

- ii simple and avoid complexity
  - iii designed to ensure reputational risks from excessive awards, and behavioural risks that can arise from target based incentive plans are identified and mitigated
  - iv predictable
  - v proportionate; and
  - vi aligned to culture in order to drive behaviours consistent with company purpose, values and strategy.
- (h) review the design of all share incentive plans for approval by the Board ) and shareholders and, for any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive directors, the Group Company Secretary and other designated senior executives and the performance targets to be used.;
- (i) ensure remuneration schemes promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released on a phased basis and be subject to a total vesting and holding period of five years or more;
- (j) develop a policy for post-employment shareholding requirements which may encompass both unvested and vested shares;
- (k) determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executive. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce;
- (l) ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized and include provisions that enable the Company to recover and/or withhold sums or share award and specify circumstances in which it would be appropriate to do so;
- (m) within the terms of the remuneration policy and in consultation with the chairman and/or the Group Chief Executive Officer as appropriate, determine the total individual remuneration package of the chairman and each executive director including recruitment terms, benefits, employment conditions, bonuses, incentive payments and share options or other share awards;
- (n) set the remuneration for senior management of the Group (as the first level of management below board level, including the UK General Counsel) from the financial year commencing 1 January 2019;
- (o) oversee any major changes in employee benefits structures throughout the Company or Group;
- (p) agree the policy for authorising claims for expenses from the directors;
- (q) 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 Board;
- (r) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. Where any such consultants are appointed, the Committee shall make available a statement of whether the relevant consultant has any other connection with the Company;

- (s) make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- (t) work and liaise as necessary with all other Board committees; and
- (u) review workforce remuneration and related policies (such as performance evaluation practices) and the alignment of incentives and rewards with culture and to take these into account when setting the policy for executive director remuneration.

8.2 The Committee shall carry out the duties in 8.1 above for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

## **9 REPORTING RESPONSIBILITIES**

- 9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall prepare a report for shareholders to be included in the Company's annual report, which shall include:
- (a) a statement from the Committee Chairman and a remuneration report setting out the Company's remuneration policy and practices and the Committee shall ensure that the remuneration report is placed before shareholders at each annual general meeting; and
  - (b) if the Committee has appointed remuneration consultants, the remuneration report should identify such consultants and state whether they have any other connection with the Company.
- 9.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.4 The Committee Chairman will maintain contact as required with its principal shareholders on remuneration policy or any other aspects of executive directors and the Company's senior management and employees' remuneration.

## **10 OTHER MATTERS**

- 10.1 The Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the Group Company Secretary for assistance as required;
  - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
  - (c) give due consideration to laws and regulations, the principles and provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate. These Terms of Reference reflect inter alia, the Principles and Provisions of the 2018 UK Corporate Governance Code. Should the Committee determine that it would not be appropriate for the Company to apply any one or more of those Principles and Provisions then the Committee may be permitted to depart from the relevant clause in the Terms of Reference if they provide an explanation for its decision to the Board (and the Board decides to "explain" such departure from the Code in the Annual Report); and
  - (d) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11 AUTHORITY**

- 11.1 The Committee is authorised by the Board to seek any information (subject to applicable laws) it requires from any employee of the Company (including the Company's executives) in order to perform its duties, provided their role in providing such advice and assistance is clearly separated from their role within the business.
- 11.2 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 11.3 The Committee may sub-delegate any or all of its powers and authority and may establish sub-committees which are to report back to the Committee.

## **12 PUBLICATION OF TERMS OF REFERENCE**

- 12.1 These Terms of Reference shall be made available on the Company's website.

**Adopted on 4 December 2018**