

Corporate Governance Practices of OJSC “Aiyl Bank”

In its operations, Aiyl Bank OJSC (hereinafter referred to as “the Bank”) continues to adhere to best practices in corporate governance. The Board of Directors makes every effort to maintain the achieved level of corporate governance. The Bank follows the principles set forth in the Corporate Governance Code of the Kyrgyz Republic, as well as the Corporate Governance Code of Aiyl Bank OJSC, approved by the Extraordinary General Meeting of Shareholders on December 21, 2017 (as amended by the Annual General Meetings of Shareholders on March 28, 2024 and March 28, 2025). The Code is available on the Bank’s official website under the “Regulatory Documents” section.

Corporate Governance Principles

- The principle of sustainable growth in shareholder value over the long term.
- The principle of sustainable development, which requires considering financial, environmental, social, and governance factors in decision-making.
- The G20/OECD Principles of Corporate Governance (2015).
- OECD Guidelines on Corporate Governance of State-Owned Enterprises.

Bank Governance Bodies

The Bank's governance bodies strictly adhere to the principles of respecting the rights and lawful interests of shareholders and aim to increase the Bank's asset value, financial stability, and profitability.

According to the Bank’s Charter, the highest governing body is the General Meeting of Shareholders. Its activities and powers are regulated by the Law of the Kyrgyz Republic “On Joint-Stock Companies,” the regulatory acts of the National Bank of the Kyrgyz Republic, and the Bank’s Charter.

The Board of Directors represents the shareholders, exercises strategic oversight of the Bank, defines the main principles and approaches to risk management and internal control systems, supervises the Executive Board, and performs other key functions as prescribed by Kyrgyz legislation. The Board's activities and responsibilities are governed by the Law “On Joint-Stock Companies,” the regulations of the National Bank, the Bank’s Charter, and the Regulation on the Board of Directors.

To ensure well-informed and effective decisions, the Board of Directors has established the following committees:

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee

The Executive Board is the Bank's executive body. Its activities and powers are regulated by the Law "On Banks and Banking Activity," the Law "On Joint-Stock Companies," the National Bank's regulations, the Bank's Charter, and the Regulation on the Executive Board.

The Board of Directors and the Executive Board are responsible for ensuring compliance with corporate governance principles.

Corporate Secretary

The position of Corporate Secretary is established at the Bank. The Corporate Secretary is independent of the executive management and reports directly to the Board of Directors. This ensures that the Secretary's responsibilities are not combined with other Bank functions. The Corporate Secretary is a Bank officer with sufficient experience, knowledge, qualifications, impeccable reputation, and the trust of shareholders. The Secretary holds a recognized certificate in corporate governance.

The Corporate Secretary also serves as an advisor to the Board on corporate governance matters, providing guidance and support to the Chair, individual directors, committees, and the Board as a whole.

Internal Control and Risk Management

In accordance with Kyrgyz legislation, the Bank has implemented a comprehensive internal control and risk management system aimed at:

- Ensuring effective and efficient operations, safeguarding assets, and managing risks effectively;
- Providing accurate, complete, objective, and timely financial and other reporting to stakeholders;
- Ensuring compliance with laws and internal policies.

Internal control bodies include:

- Compliance Control Department (operating under the Charter and relevant regulations);
- Internal Audit Department (operating under the Charter and relevant regulations);

- Other departments and employees of the Bank involved in internal control (e.g., Chief Accountant, Anti-Money Laundering and Counter-Terrorism Financing Department).

Risk Management

Effective risk management is a key factor in the Bank's sustainable development and achievement of strategic goals. The Risk Management Department oversees the Bank's risk management activities. Risk management is governed by the Risk Management Policy approved by the Board of Directors.

The Bank actively participates in discussions on green economy, green taxonomy, sustainable finance, and ESG initiatives, organized by government agencies and international development partners. The Bank regularly submits written comments and proposals on these topics.

In 2024, the Bank adopted an ESG Strategy and an ESG Roadmap. The Roadmap incorporates recommendations from the National Bank of the Kyrgyz Republic on ESG risk management. The ESG Strategy provides for amendments to existing internal documents, adoption of new regulations, and development of ESG products to support sustainable development.

To further promote responsible banking practices, the Bank developed and approved a Sustainable Development Policy, which was adopted by the Board of Directors.

The Policy aims to align with leading regulatory recommendations of the National Bank, contribute to achieving the UN Sustainable Development Goals (SDGs) and the Paris Agreement, and define the Bank's approach to sustainability.

Aiyl Bank is an official signatory of the UN Principles for Responsible Banking – a global framework for a sustainable banking industry, developed by the UN Environment Programme Finance Initiative (UNEP FI) in collaboration with banks worldwide.

These Principles align banking strategy and practices with society's vision of the future as defined in the UN SDGs and the Paris Climate Agreement. Signatory banks commit to ambitious sustainability goals, embedding sustainability into the core of their business and governance, while leading in sustainable finance.

Whistleblower Hotline

To enhance corporate governance and provide stakeholders with a reliable channel

to report corruption-related offenses by Bank employees, the Bank has established a Whistleblower Hotline and an Employee Whistleblower Hotline.

The Whistleblower Hotline enables partners, counterparties, and the general public (individuals and legal entities) to report potential corruption incidents.

The Employee Whistleblower Hotline provides a dedicated communication channel for Bank employees to report violations of Kyrgyz law or misconduct within the Bank.

All such reports are received by the Security Department and the Compliance Control Department and are forwarded to the Executive Board and the Board of Directors for further action.

The Bank guarantees confidentiality of the reporter's identity and the information provided. Designated departments analyze incoming reports and conduct investigations as needed.

Reporting and Disclosure

The Board of Directors exercises strict oversight over the implementation of decisions made by the General Meetings of Shareholders and its own resolutions (on a quarterly basis).

The Bank submits reports to shareholders on a semi-annual and nine-month basis. These reports include information on the activities of the Board of Directors and its committees, the number of in-person and remote meetings held, attendance of Board members, key issues discussed, and the main recommendations provided by the committees.

The Bank's official website is a vital tool for disclosing both financial and non-financial information. It ensures regular, timely, and unrestricted access to relevant information for all stakeholders.

Recognizing the responsibility entrusted to it by the shareholder, the Board of Directors of Aiy Bank OJSC remains fully committed to upholding its corporate governance system and maintaining the Bank's internal control framework.

The Bank complies fully with the corporate legislation of the Kyrgyz Republic, regulations of the National Bank of the Kyrgyz Republic, the Financial Market Supervisory and Regulatory Service of the Kyrgyz Republic, and the Kyrgyz Stock Exchange CJSC.