Appendix No.

to the decision of the Board of Directors of

Otbasy Bank JSC

dated 26.08.2022 (Minutes No. 10)

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| С 23 января стартует прием заявок на использование пенсионных денег -  новости Kapital.kz | **Superior internal document** | 2022-2024 Unified personnel policy of National Managing Holding "Baiterek" Joint Stock Company and legal entities, in which National Managing Holding "Baiterek" JSC directly owns more than fifty percent of shares (participation interests) on the right of ownership or trust management. |
| **Owner of internal document** | HR Department |
| **Developed by** | A.K. Madiyeva. – Head of Personnel Records and Development Office, HR Department A.I. Aitkulov – Director of the HR Department |
| **Approved by** | Decision of the Board of Directors of Otbasy Bank JSC dated 26.08.2022 (Minutes No. 10) |
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**2022-2024 Personnel policy of**

**Otbasy Bank JSC**

**Almaty, 2022**

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**Chapter 1. General provisions**

1. 2022-2024 Personnel policy of Otbasy Bank JSC (the Personnel Policy) has been developed in accordance with the legislation of the Republic of Kazakhstan regulating issues of labor relations and personnel management, the 2022-2024 Unified Personnel Policy of the National Managing Holding Baiterek Joint Stock Company and legal entities, in which National Managing Holding Baiterek JSC directly owns more than fifty percent of shares (participation interests)on the right of ownership or trust management, approved by the decision of the Management Board of NMH Baiterek JSC (Minutes No. 17/22) dated 06.04.2022 (Unified Personnel Policy, Holding), Rules for formation of Risk Management and Internal Control System for second–tier banks, branches of non-resident banks of the Republic of Kazakhstan, approved by Resolution No. 188 of the Management Board of the National Bank of the Republic of Kazakhstan dated 12.11.2019, the Charter and internal documents of Otbasy Bank JSC (the Bank), and best practices in the field of human resource management.

2. This Personnel Policy - comprehensive long-term strategy of the Bank in the field of personnel management, the main goal of which is to fully and timely meet the needs of the Bank for necessary quality and quantity of labor resources.

3. Personnel policy establishes standards, conditions and mechanisms to ensure the involvement of competent executives in banking activities, and ensures:

1) availability of personnel with the necessary experience, qualifications and impeccable business reputation, able to manage the processes and risks associated with the bank's activities;

2) maintaining sufficient resources for effective performance of functions and responsibilities;

3) minimizing conflicts of interest in the course of performing their duties;

4) minimizing the risk of concentration of authority on one employee;

5) internal procedure for remuneration of employees, including the procedure for payment of remuneration, as well as other types of financial incentives;

6) conducting an assessment of the performance of the bank's employees.

The Personnel policy corresponds to the strategy, organizational structure, risk profile of the Bank, the results achieved and the requirements of the legislation of the Republic of Kazakhstan.

4. The main objectives of the Personnel Policy are:

1) to establish core values of an effective corporate culture of the Bank, focused on: development and innovation, efficiency and meritocracy, team and respect, leadership and initiative.

2) to provide the necessary number of personnel with the required qualifications and motivation to work to achieve the Bank's strategic goals, the basis for effective personnel management, the fastest and highest quality achievement of goals and objectives, as well as ensuring employee satisfaction with working conditions.

3) to describe the principles of personnel management that ensure the successful development of the Bank and balance the interests of employees, the Sole Shareholder, and customers;

4) to strengthen the Bank's position, which requires the sustainable development of highly professional and mobile workforce sufficient to fulfill the set strategic objectives.

5. Tasks of the Personnel Policy aimed at achieving the set goal:

 Providing the Bank with the personnel necessary to achieve its goals, while respecting the principles of diversity and inclusivity.

Improving the competence of the Bank's employees in order to ensure the development of human capital, especially in terms of digital skills.

Increasing and maintaining the level of engagement and return from the Bank's staff.

Digitalization of the Bank's HR processes, including the recruitment and hiring process, performance evaluation, as well as development and training.

Setting up and calibrating the Bank's performance management process.

Development of corporate culture based on ESG principles in the Bank.

6. The Personnel policy is binding on all employees of the Bank.

**Chapter 2. Values**

7. The Bank puts the following values at the forefront of its activities:

1) Development and innovation: The Bank is constantly working to improve customer service, quality of internal processes and is intolerant of any inefficiencies, is always open to innovation and development, actively implements the latest banking and management technologies. The Bank supports the employees' desire for self-development.

2) Effectiveness and meritocracy: The Bank is committed to the highest standards in achieving goals, maintains a culture of results orientation, sets clear goals for this, achieves them on time, with reasonable resources, and regularly evaluates results. Meritocracy is a fair and objective assessment of the individual efforts, abilities and achievements of each employee.

3) Team and respect: an atmosphere of mutual respect is the Bank's priority. The Bank's management is aware of everyone's contribution to achieving team goals, which creates the basis for mutual trust.

4) Initiative and team spirit: independent and active commitment of employees in optimizing the production process. Cooperation to achieve high results from joint activities and common intentions.

8. The fundamental principles of the Personnel Policy are:

1) Consistency in personnel management is achieved through the interconnection of the Bank's strategy, goals and workforce planning, staff search and selection, motivation, social support for staff, staff training and development, and corporate culture, which minimizes the negative consequences of individual targeted actions and decisions.

2) Proactivity - emphasis on ability to diagnose, predict and plan the personnel situation for the medium and long term, as opposed to solutions to problems that have already arisen.

3) Business orientation - the focus of the personnel management system on implementation of the Bank's strategy, achieving long-term and medium-term business goals.

4) Leading role of executives - executives are the main ambassadors and champions of human resources management processes, bearers of corporate values. Employees of Personnel management department develop tools and methodology for personnel management.

5) Information openness is achieved through transparency of rules and criteria in the selection, appointments, promotion, and incentives of personnel. Internal communications inform and popularize the main priorities, values, and projects, including in terms of personnel management, creating a unified information environment.

6) Automation - implemented personnel management tools use all the capabilities of IT systems and gadgets, minimize manual routine work, thereby focusing on priorities and values.

**Chapter 3. Key areas of Personnel policy**

**§1. Effective organizational structure**

9. Organizational structure is developed based on the Bank's strategy. Organizational structure is a set of internal documents of the Bank that establish the quantitative composition (total number) and the system of management bodies, executives and independent structural divisions of the Bank, schematically reflecting the structure of subordination, accountability and the order of their interaction with each other.

10. Organizational structure clearly defines:

- the optimal number of employees to achieve the Bank's goals;

- number of control levels;

- ratio of front office staff and administrative and managerial staff;

- order of subordination, accountability and interaction of management bodies, senior officials and independent structural divisions.

11. The organizational structure is the basis for a clear and precise division of responsibilities and administrative accountability of employees.

12. The organizational structure should exclude the conflict of interest in the course of performing their duties by the Bank's employees. Conflict of interest means a contradiction between the personal interest of the Bank's officials and (or) its employees and the proper performance of their official duties or the property and other interests of the Bank and (or) its employees and (or) customers, which may entail adverse consequences for the Bank and (or) its customers.

13. Planning of the organizational structure and distribution of powers is carried out taking into account the minimization of the risk of key employee through the distribution and delegation of authority, the identification of replacement employees and the documentation of the legitimacy of authority. The risk of key employee - concentration of valuable business information and functionality on a specific employee, without regulating this functionality and information in the internal documents of the Bank, lack of persons who fully replace such an employee in case of absence of such an employee.

**§2. Strategic HR planning**

14. The target state of business processes in the field of strategic HR planning is determined by the fact that:

- strategic personnel planning is based on corporate strategy, external and internal trends;

- personnel planning solves the short-term (1 year) and long-term (3-5 years) needs of the Bank in personnel (qualifications and the required number of employees with the necessary experience, qualifications and impeccable business reputation, able to manage the processes and risks associated with the Bank's activities);

- personnel development plan is formulated in the form of specific operational tasks for the year for all levels of the Bank's personnel management;

- strategic initiatives are evaluated using qualitative and quantitative key performance indicators.

The key control indicators of the effectiveness of activities in this area are:

1) the share of personnel costs in total costs;

2) segmented staff turnover (maintaining sufficient resources for the effective implementation of functions and responsibilities);

3) availability of updated Personnel Policy.

**§3. Organizational development and position design**

15. The target state of business processes in the field of organizational development is determined by the fact that:

- initiation and control of work on timely change and updating of organizational structures is carried out, depending on the changes taking place in the Bank;

- timely analysis of changes in business processes is carried out, new positions arising from changes in processes are described in a timely manner, and their "weight" for the Bank is assessed;

- there are job descriptions for all positions, the norm of manageability is established and respected, the grade of position is determined;

- prospective personnel needs are studied;

- business processes are studied for automation.

Key control indicators of effective activity in organizational development are the following:

1) timely updating of organizational structures;

2) proportion of positions which have job descriptions.

**§4. Recruitment, hiring and adaptation of staff**

16. Recruitment and promotion of personnel implements the principle of equal opportunities and is based solely on an objective assessment of professional knowledge and experience in accordance with the qualification requirements for position, excluding any discrimination.

The Bank's recruitment processes and standards are standardized (request forms, evaluations, etc.)

17. When making personnel appointments, the principle of excluding conflicts of interest is also observed: Bank employees should avoid real conflicts, potential conflicts should be reported in writing to their immediate supervisor. The main rule in the event of conflict of interest situation is information openness and transparency.

18. Methods of personnel selection: CV selection, series of interviews, testing of professional knowledge. Other sources of information about potential candidates not prohibited by law may also be used.

19. Sources of personnel formation: when searching for candidates, external and internal sources are used, while priority is given to internal candidates, thereby expanding opportunities for career growth of employees.

20. Channels of information placement: to ensure information transparency, information about vacancies is posted on the internal portal, external website and specialized recruiting sites.

21. The key control indicators of effective activity in the field of personnel selection and adaptation are the following:

1) total time of filling of vacancies;

2) compliance with the technology of competitive recruitment (results of the audit of the internal audit department);

3) percentage of vacancies filled (from external, internal sources, etc.);

4) percentage of vacancies filled by personnel departments.

**§5. Personnel marketing and the employer's brand**

22. The target state of business processes in the field of personnel marketing and the employer's brand is determined by the fact that:

- the "value proposition" of the employer's brand has been defined (career opportunities, prestige, development, etc.);

- communication of the employer's brand has been established through external and internal corporate channels, as well as through third-party channels (business media, universities, social networks, etc.);

- various communication tools are used: booklets, videos, infographics on social resources;

- recognition of the employer's brand is being evaluated.

The key control indicators of effective activity in the field of personnel selection and adaptation are the following:

1) number of applicants for the vacancy;

2) average work experience in the Bank (compared to benchmarks);

3) indicators of staff satisfaction and loyalty based on the results of surveys, especially the percentage of employees who are going to leave the Bank in 1-2 years;

4) percentage of reasons for layoffs (stated by leaving employees based on the results of exit interviews).

**§6. Performance management**

23. The target state of business processes in the field of performance management is determined by the fact that:

- system for evaluating the effectiveness of each employee has been implemented throughout the organization;

- performance indicators are clearly cascaded from senior management to ordinary employees;

- target (qualitative and quantitative) indicators for employees are set on an annual basis, the achievement of goals is monitored throughout the year, and at the end of the year, a full assessment of performance of employees takes place;

- results management process is included in the HR functionality (deadlines for implementation of processes, documentation), but the assessment and preparation itself are the responsibility of the heads of structural divisions;

- heads of structural divisions are responsible for setting goals, monitoring the achievement of goals, as well as feedback on the results of the assessment of their employees;

- results of performance assessment process are: proposals for individual revision of employees' salaries, grounds for payments and determining the amount of bonuses, employee training and development plans, potential enrollment in transfer programs to other positions, talent management, etc.;

- each employee has a clear understanding of the goals and objectives of the organization, ways to achieve them;

- all personnel decisions are made on the basis of performance assessment.

Key control indicators of effective activity in the field of personnel efficiency management are:

1) proportion of managers and employees with KPI maps;

2) timely execution of all stages of the performance management system;

3) correlation coefficient between the average percentage of achievement of the organization's business indicators and the average bonus coefficient for the reporting period.

**§7. Motivation and performance evaluation, staff remuneration**

24. Effective remuneration system ensures a unified approach to remuneration for all employees of the Bank in accordance with the achieved work results and is fairly rewarded.

25. Regarding the establishment of fair remuneration, the Bank is based on the recognition of the results of work and the achievement of key performance indicators, the level of qualifications and competencies of employees.

The level of basic remuneration is regulated by pay ranges based on grades, the size of the ranges can be adjusted in accordance with the Bank's strategy and the industry labor market.

Payment ranges are developed in such a way as to ensure the principle of internal fairness in payment, as well as external competitiveness.

To monitor the level of external competitiveness, regular comparative analysis of the compensation level with the market is carried out and, if necessary, appropriate adjustments are made;

26. When planning the payroll, the Bank ensures that sufficient resources and budget are maintained for effective work. At the same time, the Bank strives to ensure that the conditions motivate employees to work effectively and are competitive in order to attract highly qualified specialists from the external labor market with an impeccable business reputation who are able to manage the processes and risks associated with the Bank's activities.

The employee motivation system is based on an efficiency management system and takes into account individual employee performance results.

The motivation system includes financial (salary increase, bonus) and non-financial components (training, promotion, participation in the talent management program).

27. The remuneration system should be transparent and understandable, its terms and conditions are published on the Bank's internal website and accessible to all employees.

28. Assessing the performance of the Bank's employees depends on the fulfillment of specific tasks and is confirmed by key indicators that are developed by cascading the Bank's strategic goals into specific employee indicators. Tool for monitoring the Bank's implementation of business objectives that correspond to strategic goals is a Map of balanced indicators and Key Performance Indicators, which are a set of key performance indicators with target and actual values.

29. The Committees under the Board of Directors of the Bank, guided by the Personnel Policy of the Bank, including the procedure for paying employees and assessing the performance of employees accountable to the Board of Directors of the Bank, prepare recommendations on incentives and remuneration to employees accountable to the Board of Directors of the Bank and send recommendations to the Board of Directors of the Bank.

30. The Bank is developing a system of non-financial incentives, including state and corporate awards, titles, certificates of honor, insignia, prizes, and professional holidays.

31. The procedure for remuneration and other types of remuneration and incentives, as well as mechanisms for evaluating the effectiveness of the Bank's employees, are established by the Bank's internal documents.

32. The key control indicators of effective activity in the field of personnel efficiency management are the following:

1) budget deficit/surplus for Payroll Fund (Payroll);

2) share of Payroll in administrative expenses;

3) Employee satisfaction/engagement index.

**§8. Social support**

33. The Bank guarantees the social protection of its employees. Employees receive payments provided for by the legislation of the Republic of Kazakhstan and internal documents of the Bank.

34. On the basis of unified corporate approaches to the implementation of social policy, measures are being taken to:

- create comfortable, healthy and safe working conditions;

- improve system of social benefits: medical allowance for rehabilitation, one-time financial assistance to employees in certain cases and other types of payments;

- to implement health insurance programs, conducting preventive examinations of employees;

- to popularize healthy lifestyle.

**§9. Corporate culture and internal communications**

35. The corporate culture of the Bank is a system of formal and informal rules and norms of behavior based on a common understanding and acceptance of the values that define the employee's relationship with customers, colleagues, management, and society.

36. Vertical communication channels: as part of formation and development of corporate culture, employees are informed about the Bank's strategy, goals and values, information about new projects and changes, which minimizes resistance to changes on the part of staff. It also provides an opportunity for feedback from an employee on job improvement and satisfaction with various aspects of Personnel Policy.

37. Horizontal communication channels create a single information field, possibility of introducing "best practices" implemented by colleagues, sharing experience, knowledge, information, unified network resources for storing information, and also support team interaction.

 38. Key control indicators of effective activity in development and maintenance of corporate culture are the following:

1) assessment of employees' understanding and commitment to the Bank's corporate values by conducting surveys and tests on knowledge of the provisions of the Code of Business Conduct;

2) Employee engagement and loyalty;

3) satisfaction of the Bank's employees with the level of cultural and communication development.

**§10. Training and development**

39. The target state of business processes in the field of personnel training and development is determined by the fact that:

- training is based on annual assessment of employees by competencies, with formation of individual development plans;

- Individual training and education plans for employees are developed as part of the performance management process;

- various forms of training are used, including full-time and distance learning;

- training budget is based on corporate strategic goals;

- process of systematic evaluation of the effectiveness of the trainings has been established;

- unified modular training programs for managers are conducted;

- knowledge management systems have been established in the Bank (including the gathering of specialists and knowledge exchange);

- training process at the Bank is standardized, the training is conducted according to the same rules.

Key control indicators of effective activity in the field of personnel training and development are the following:

1) training costs as a percentage of Payroll;

2) number of training hours per year per employee;

3) implementation of the training plan;

4) structure of forms/types of training as a percentage.

**§11. Personnel reserve**

40. The management of the personnel reserve consists in identifying Bank employees with potential, including managerial potential, their systematic training and career advancement.

41. Career growth is associated with strategic planning, identifying those areas in which there is a potential shortage of specialists, with clearly described professional standards of positions, with process of evaluating performance, evaluating the potential of employees, with vocational training.

42. When planning a career, vertical and horizontal movements of employees are taken into account, in order to increase effective interaction between the Central Office and branches, and between departments, which minimizes the risk of "key employee".

43. The Committees under the Board of Directors of the Bank, guided by the Personnel Policy of the Bank, prepare recommendations for appointment (reassignment, dismissal) and send recommendations to the Board of Directors of the Bank.

44. The target state of business processes in the field of formation and work with the personnel reserve, talent management is determined by the fact that:

- career development management system has been established for the most talented personnel who will become part of the Bank's management in the future, which is formally fixed;

- succession plans have been defined for key positions;

- there is a clear methodology for selecting employees to participate in the talent management program;

- special individual training programs have been formed for the most talented managers by senior managers of the Bank;

- systematic assessment of the effectiveness of the talent management program is carried out (the number of career promotions, professional development, etc.);

- the principle of continuity is being implemented by appointing succession candidates who are members of the Presidential Youth Personnel Reserve of the Republic of Kazakhstan, the Unified Personnel Reserve of the Holding, the Personnel Reserve of the Bank to senior positions in the Bank;

- The program "Development of Women's Leadership" is being implemented to ensure the principle of diversity and inclusivity within the Bank.

The key control indicators of effective activity in formation and work with the personnel reserve, talent management are the following:

1) number of vacancies filled by employees who are in the Presidential Youth Personnel Reserve of the Republic of Kazakhstan, in the Unified Personnel Reserve, in the Personnel Reserve of the Bank relative to the total number of closed vacancies;

2) number of training activities for employees in the personnel reserve, relative to the total number of training activities;

3) number of appointments to new positions of employees who were in the personnel reserve, relative to the total number of reservists;

4) number of women in senior positions of the Bank.

**§12. HR process administration**

45. Target state of business processes in the field of development and maintenance of corporate culture is determined by the fact that:

- personnel records management is conducted in full compliance with the labor legislation of the Republic of Kazakhstan;

- all managers and employees of the Bank are aware of and comply with the requirements of the labor legislation of the Republic of Kazakhstan;

- reporting and internal document management are standardized;

- automation of all administrative processes in the main areas of HR (payroll, documentation) has been carried out;

- there is a single IT system for all HR functions, containing detailed information about all employees;

- structure of relationships and responsibility for processes between HR and functional managers is clearly defined;

- HR function provides high quality services to functional managers;

- system of regular exchange of experience and knowledge has been built between the HR of the Bank, the development of basic policies and documents is carried out according to common principles and standards.

Key control indicators of effective activity in development and maintenance of corporate culture are the following:

1) unified reliable corporate personnel data accounting system;

2) timeliness of implemented personnel procedures;

3) absence of comments and fines, positive assessments from the inspection bodies based on the results of inspections.

**Chapter 4. Monitoring and control of implementation of the Personnel Policy**

46. The Board of Directors of the Bank determines the Management Board responsible for development and submission for approval of the draft Personnel Policy of the Bank.

47. The Management Board of the Bank at least once a half-year monitors compliance of the Personnel Policy with the strategy, organizational structure, risk profile of the Bank, achieved results and requirements of the legislation of the Republic of Kazakhstan, as well as monitors compliance of the organizational structure with the current market and economic situation, risk profile and financial potential of the Bank, monitoring and control of compliance by the Bank and its employees of the Personnel Policy.

48. Based on the results of the monitoring, the Management Board of the Bank prepares and approves, within the framework of the Report of the Management Board of the Bank, information on implementation of the Bank's Personnel Policy for the half-year and sends it to the HR, Remuneration and Social Benefits Committee of the Board of Directors of the Bank for approval by the Board of Directors of the Bank.

49. The Board of Directors of the Bank, based on the results of monitoring conducted by the Management Board, approves the Report of the Management Board and information on implementation of the Bank's Personnel Policy and, if necessary, instructs the Management Board to ensure that measures are taken to comply with the requirements of the Bank's Personnel Policy and (or) prepare draft amendments and additions to the Bank's Personnel Policy.

50. Employees can report violations of the provisions of the Personnel Policy to the hotline at HR@hcsbk.kz If necessary, the employee can contact anonymously.

51. All violations of the Personnel Policy are considered by the HR Committee of the Bank with the involvement of the Chief Compliance Officer.

52. Key initiatives for implementation of strategic objectives

Achieving the objectives of this Personnel Policy and the target states for business processes requires the development of step-by-step plan for the implementation of each task.

Timely implementation of Personnel Policy is solved through prioritization of tasks and qualitative planning of the stages of implementation of changes.

All implemented initiatives involve periodic monitoring and adjustment.

The effectiveness of Personnel Policy implementation is determined according to compliance with the Bank's key performance indicators in the field of human resource management.

53. Conditions for implementation of Personnel Policy:

1) critical condition is the support of the Bank's senior staff, awareness of the importance of human capital and willingness to follow the principles of Personnel Policy and internal documents set out;

2) implementation of Personnel policy is possible if there are developed information systems for personnel management;

3) formation of the Bank's annual action plans to increase the level of involvement of the Bank's employees.

# Chapter 5. Final provisions

 54. The end result of implementation of this Personnel Policy is establishment of standards, conditions and mechanisms that ensure the involvement of competent executives in banking activities and ensure compliance with the provisions provided for in the Personnel Policy.

 The standards for involvement of competent Bank executives in banking activities are based on the requirements of banking legislation and the National Bank of the Republic of Kazakhstan regarding work experience in a financial institution.

 The conditions for involvement of competent Bank executives in banking activities are provided with social support provided by the Bank.

 The mechanism for involving competent Bank executives in banking activities provides for the possibility of consideration of candidates for a senior position who meet the standards and conditions ensuring the involvement of competent executives in banking activities by the Bank's Board of Directors.

 55. The Personnel policy is approved by the Board of Directors and is subject to review as necessary. The Personnel Management Department is responsible for updating the Personnel Policy.

 56. All personnel management issues not provided for by this Personnel Policy shall be resolved in accordance with the current legislation of the Republic of Kazakhstan, internal documents of the Bank and decisions of the Bank's bodies.