



# **S T A T U T E**

**Audit Committee**

**JSC PASHA Bank Georgia**



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## **1. General provisions**

- 1.1. This Statute is prepared based on the Law of Georgia on Activities of Commercial Banks, Corporate Governance Code for Commercial Banks of the National Bank of Georgia ( “NBG”) and other relevant regulations, Charter of PASHA Bank Georgia (the “Bank”), Definition of Internal Auditing, Core Principles, Code of Ethics and Internal Audit Standards (“Standards”) elaborated by Institute of Internal Auditors. The purpose of this Statute is to regulate the activity of the Audit Committee of the Bank (“the Committee”).

## **2. Establishment and role of the Committee**

- 2.1. The Committee is a governing body that establishes Internal Audit Activity and monitors the Bank`s activity.
- 2.2. The Committee is accountable to the Supervisory Board of the Bank for the fulfillment of its responsibilities according to the provisions of the applicable legislative acts, establishing and further controlling of the Internal Audit Department of the Bank.
- 2.3. By bringing a systematic approach to the evaluation and improvement of risk management, control and governance processes the Committee monitors whether structural units, employees, branches and representative offices of the Bank follow the requirements of acting legislation.
- 2.4. The Committee assists Supervisory Board and Board of Directors in ensuring the existence and adequacy of effective internal control system in the Bank.

## **3. Authorities and duties of the Committee**

- 3.1. Authorities and duties of the Committee are the following in relation to:

### **3.1.1. Internal Audit:**

- 3.1.1.1. To identify audit strategy of the Bank and ensure its implementation;
- 3.1.1.2. To review and approve the Internal Audit Department Statute and organize its functioning within the Bank;
- 3.1.1.3. To identify the scope of Internal Audit Department`s activity and monitor its activity;
- 3.1.1.4. To review and approve the annual internal audit plan prepared by the Internal Audit Department;
- 3.1.1.5. To make decisions on assignment of Head of Internal Audit Department and other employees to audit engagements;

- 3.1.1.6. To review expenses related to the activities of the Department and submit them to the Supervisory Board for approval;
- 3.1.1.7. To approve job descriptions of Head and other employees of Internal Audit Department;
- 3.1.1.8. To review the matters of appointment, promotion, dismissal, remuneration the Head of Internal Audit Department and other employees and to submit them to the Supervisory Board for approval;
- 3.1.1.9. To review and give preliminary approval for vacations of the Head of Internal Audit Department or acting Head of Internal Audit Department;
- 3.1.1.10. To approve training programs for Head of Internal Audit Department and other employees;
- 3.1.1.11. To evaluate at least annually the effectiveness of Internal Audit Department activity based on set Key Performance Indicators (KPIs) and make proposals in terms of quality assurance and improvement to Shareholders or Supervisory Board;
- 3.1.1.12. To approve summary (annual, quarterly and monthly) and special audit reports of the Internal Audit Department;
- 3.1.1.13. To provide recommendations to the Supervisory Board regarding audit results, resolution of identified deficiencies and improvement of internal control systems;
- 3.1.1.14. To review results of fraud investigations performed by Internal Audit Department;
- 3.1.1.15. To approve results of assessments performed within Quality Assurance and Improvement Program (including action plan for resolution of identified deficiencies).
- 3.1.1.16. To approve framework for Quality Assurance and Improvement Program;
- 3.1.1.17. To review Internal Audit Department's monthly reports on whistleblowing cases.

### **3.1.2. External Audit:**

- 3.1.2.1. To recommend to the Supervisory Board of the Bank on the appointment, remuneration and dismissal of external auditor;
- 3.1.2.2. To ensure cooperation between external auditors and Board of Directors of the Bank;
- 3.1.2.3. To review Bank's periodic (including annual) Financial Statements in frame of external audit and provide recommendations to Supervisory Board;
- 3.1.2.4. To review tax, legal and other matters that may materially distort financial statements and provide respective recommendations;

- 3.1.2.5. To hold meetings with External Auditors to discuss periodic (including annual) financial results;
- 3.1.2.6. To request External Auditors to provide immediately information regarding significant deficiencies, issues and events identified during external audit;
- 3.1.2.7. To review and discuss (before signature of external auditor and Board of Directors of the Bank) final version of external auditor report;
- 3.1.2.8. Make suggestions for preparation of action plan related to resolution of deficiencies in internal control system and implementation of recommendations provided by External Auditor and take further necessary actions considered by acting legislation;
- 3.1.2.9. To provide opinion over the action plan prepared by Board of Directors;
- 3.1.2.10. To evaluate at least annually the activity of External Auditor and present proposals and recommendations based on results of this evaluation to Supervisory Board;
- 3.1.2.11. An Audit Committee should annually review the independence of external auditors and publish information in the Pillar 3 reports particularly on:
  - the aggregate amount of fees paid to the external auditors for that financial year,
  - a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the Bank, the Audit Committee should keep the nature and extent of such services under review, seeking to maintain objectivity and avoiding conflicts of interest.

### **3.1.3. Risk Management and Internal Control System**

- 3.1.3.1. To provide recommendations to Supervisory Board regarding establishment and implementation of Internal Control System, improvements of Internal Control and Risk Management systems;
- 3.1.3.2. To gather information from Board of Directors regarding implementation status of recommendations on improvement of Internal Control System provided by External and Internal Auditors;
- 3.1.3.3. To discuss effectiveness of the Bank's internal control system with Board of Directors and Supervisory Board;

### **3.1.4. Reporting**

- 3.1.4.1. To present reports to the upcoming meeting of Supervisory Board including at least the following matters and within time stipulated in meeting agenda:
- information on regulative and/or legal violations (if any occurred during the reporting period) related to the activity of the Bank and recommendations on their resolutions;
  - reports on the audit of internal control and risk management systems with recommendations on the improvement of adequacy and effectiveness of these systems and information on implementation of recommendations (at least quarterly);
  - reports on whistleblowing cases (quarterly);
  - annual report of the Committee.
- 3.1.4.2. All other information and reports (if requested) related to the matters to be discussed in the planned and unplanned meetings of Supervisory Board;
- 3.1.4.3. Chairman of the Committee is the responsible person for the activity of the Committee and timely preparation and provision of reports.

### **3.1.5. Other matters**

- 3.1.5.1. To facilitate sharing of information and coordination of activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
- 3.1.5.2. To request calling of unplanned Shareholders and Supervisory Board meetings;
- 3.1.5.3. To assess at least annually the provisions of the Committee Statute and propose changes to the Supervisory Board if necessary;
- 3.1.5.4. To investigate whistleblowing cases submitted directly to the Committee;
- 3.1.5.5. Oversee management's arrangements for the prevention and deterrence of fraud.
- 3.1.5.6. In order to fulfill its duties perform other investigations in compliance with appropriate legislation (including review of policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organization);
- 3.1.5.7. To have unlimited access to all internal information and bank documentation for audit purposes;

- 3.1.5.8. To request any documents related to the Bank`s activity from respective governing bodies and key management personnel of the Bank and invite them to participate in meetings of the Committee;
- 3.1.5.9. To involve independent experts specializing in accounting, audit (including Information Technology and Information Security audits) and internal control system, legal and regulatory matters and corporate governance when it is deemed appropriate;
- 3.1.5.10. To carry out other duties in accordance with the normative acts of the National Bank of Georgia and other legislative acts.

#### **4. The Committee composition and membership requirements**

- 4.1. The Audit Committee should comprise of at least 3 members, the majority of which should be independent Supervisory Board members.
- 4.2. The chairperson of the Audit Committee should be independent and should not be the chairperson of the Supervisory Board or any other committees.
- 4.3. A former partner or director of a bank`s existing auditing firm or auditing corporation should not act as a member of a bank`s audit committee:
  - within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation;
  - For as long as he/she has any financial interest in the auditing firm or auditing corporation.
- 4.4. At least two members of an Audit Committee, including the chairperson must have the ability to analyze financial statements and must have education in finance;
- 4.5. Each member of the Committee is obliged to disclose personal interests of his/hers or his/her close family members to Supervisory Board. This information is disclosed upon appointment to the Committee and the following periods in accordance with internal regulations of the Bank;
- 4.6. In the absence of the Chairman, one of its members serves as acting Chairman for the meeting;
- 4.7. If matters related to personal interest of one of the members are put into discussion, then that Committee member must inform about his/her interest before the commencement of the discussion. In such cases that Committee member must not take part in voting and his vote must not be considered for the quorum of voting;
- 4.8. Individuals who do not meet the Committee membership requirements per Georgian Legislation cannot be the Committee members and they should be dismissed from the membership by the Supervisory Board;


## **5. The Committee meetings**

- 5.1. The Committee meetings shall be held at least once every three (3) months (quarterly) and may be held more often if required;
- 5.2. The Committee meetings can be called at the request of Shareholders or Supervisory Board;
- 5.3. The agenda is prepared by the secretary (with the approval of the Chairman of the Committee) and sent in form of notification to the Committee members at least two (2) days before the meeting date;
- 5.4. The members of the Committee shall participate in the meetings personally themselves or through video or telephone conferencing. Meeting protocol should reflect note about participation of members themselves or via conferencing. Each member must be either pro or against the discussed matter and confirm his/her decision either by signing the protocol personally or presenting the written document stating his/her decision with signature form (electronic, etc.) allowed by the legislation;
- 5.5. A member of the Committee can be appointed as a secretary of the meeting;
- 5.6. The Committee has the authority to resolve any matters submitted for its consideration if more than a half of the committee members are present at the meeting;
- 5.7. The Committee and its members have no right to delegate their authorities to others;
- 5.8. The decisions of the Committee are taken by a simple majority of votes of the members presented at the meeting. Each member has one vote. In case of the equality of votes, the vote of the Chairman is considered as the decisive one. Heads of the Departments, External Auditors or other persons may be invited to the Committee meetings if necessary.
- 5.9. The Chairman of the Committee shall have a right to invite CEO and other members of Board of Directors, Head of Internal Audit Department and external auditors, Directors and other employees of the Bank and independent experts;
- 5.10. The minutes of the Committee meetings are documented within one (1) week after the meeting. The Chairman of the Committee is responsible for the accuracy of content of the meeting minutes. The minutes are signed by the Chairman of the Committee and secretary of the meeting appointed at the meeting.

## **6. Final provisions**

- 6.1. The Committee is responsible to undertake continuously the duties defined herein;



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- 6.2. The Committee members are personally responsible for keeping the information obtained while performance of the Committee duties defined herein as strictly confidential;
  - 6.3. This Statute shall be effective upon its approval by the Supervisory Board;
  - 6.4. The amendments to the Statute shall be made effective by the resolution of the Supervisory Board;
  - 6.5. If any clause in this Statute contradicts the legislation of Georgia the corresponding clause is considered void.