



Audit Committee Statute

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, Regulation on Internal Audit Requirements for Commercial Banks of the National Bank of Georgia and other relevant regulations, as well as in compliance with the Charter of PASHA Bank Georgia (the “Bank”). The purpose of this Statute is to regulate the activity of the Audit Committee of the Bank (“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 Policy and Strategy of the Bank and ensure their implementation;
- 3.1.1.2. To ensure the objectiveness and independence of the Internal Audit Department from the Board of Directors (hereinafter, the “Board of Directors”);
- 3.1.1.3. To review and approve the Internal Audit Department Statute and organize its functioning within the Bank;
- 3.1.1.4. To approve job descriptions of Head and other employees of Internal Audit Department;

- 3.1.1.5. To review the matters of appointing, promoting and dismissing the Head of Internal Audit Department and other employees and to submit them to the Supervisory Board for approval;
- 3.1.1.6. To identify the scope of Internal Audit Department's activity and monitor its activity;
- 3.1.1.7. To review and approve the annual internal audit plan prepared by the Internal Audit Department;
- 3.1.1.8. To make decisions on assignment of Head of Internal Audit Department and other employees to audit engagements (performed by the Chairman of the Committee);
- 3.1.1.9. To approve training programs for Head of Internal Audit Department and other employees;
- 3.1.1.10. To resolve the matters of remuneration of the Head of Internal Audit Department and other employees, their incentives and other expenses related to the activities of the Department and submit them to the Supervisory Board for approval;
- 3.1.1.11. To review and give preliminary approval for vacations of the Head of Internal Audit Department (in regard to other employees of the Department, Chairman of the Audit Committee shall review and give preliminary approval for vacations);
- 3.1.1.12. To ensure cooperation between internal auditors and Board of Directors of the Bank;
- 3.1.1.13. To call regular quarterly and, in special cases, extraordinary meetings with the Internal Audit Department in order to review any internal audit related issues;
- 3.1.1.14. To approve summary (annual, semi-annual, quarterly and monthly) and special audit reports of the Internal Audit Department;
- 3.1.1.15. To provide recommendations to Shareholders or the Supervisory Board regarding audit results, resolution of identified deficiencies and improvement of internal control systems;
- 3.1.1.16. To review and discuss the Internal Audit Department activities related issues with the Supervisory Board and advise it regarding the dismissal of the responsible persons for the failure to follow the audit recommendations and carry out corrective actions, if required;
- 3.1.1.17. 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;

3.1.2. External Audit:

- 3.1.2.1. To recommend to the Supervisory Board of the Bank on the appointment of an 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;

3.1.3. Risk Management and Internal Control System

- 3.1.3.1. To provide recommendations to Shareholders and 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 prepare the Annual report of the Committee, containing information on the activities of the Committee and Internal Audit Department, and submit them to the Supervisory Board and Board of Directors for their information, and, if necessary, for proper actions;
- 3.1.4.2. 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;
 - information on implementation of recommendations (at least twice a year);
 - External audit related correspondence including audit report and recommendations provided to the management.
- 3.1.4.3. All other information and reports (if requested) related to the matters to be discussed in the planned and unplanned meetings of Supervisory Board;
- 3.1.4.4. 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. In order to fulfill its duties perform necessary investigations in compliance with appropriate legislation;
- 3.1.5.5. To have unlimited access to all internal information and bank documentation for investigation purposes;

- 3.1.5.6. 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;
- 3.1.5.7. To involve independent experts specializing in accounting, audit and internal control system, legal and regulatory matters and corporate governance when it is deemed appropriate;
- 3.1.5.8. 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 Committee consists of at least three (3) members elected by the Supervisory of the Bank; the number of members should always be an odd one. The Committee members are appointed for a term of maximum four (4) years; their re-election is not restricted. Chairman of the Audit Committee is appointed by the Supervisory Board.
- 4.2. The Supervisory Board member and the staff-employee of the Bank cannot be appointed the Committee member;
- 4.3. The person is considered independent if he/she and his/her relatives, who fall into the first and second order of the statutory inheritance pursuant to the Civil Law Codex of Georgia:
 - is not related to the enterprise legally or/and economically;
 - does not hold stock/shares of said enterprise;
 - does not receive any remuneration or other economic benefit from the said enterprise.
- 4.4. Each member of the Committee is obliged to disclose personal interests of his/hers or his/her close family members to Board of Directors and Supervisory Board. This information is disclosed upon appointment to the Committee and the following periods in accordance with internal regulations of the Bank;
- 4.5. Remuneration matters of the Committee members are decided by the Supervisory Board meeting;
- 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;
- 4.9. The members of the Committee should:
 - 4.9.1. Hold a higher economic and / or legal education or experience;
 - 4.9.2. Possess job experience allowing opportunity to participate in strategy formulation and decision making processes in financial institutions.
- 4.10. The Committee members are not liable for any damage caused by any action or inaction related to execution of duties defined in this statute and other regulations unless illegality of this action or inaction is proven.

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 Chairman 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;
- 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.