Approved by the Deputy Chairman of
the Supervisory Board

B. Japaridze

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JSC TBC Bank

Audit Committee Policy

1. General remarks

1.1. The Audit Committee is a committee of the Supervisory Board of the Bank from which it derives its authority and to which it quarterly reports. The Audit Committee will assist the Annual General Meeting (AGM) and the Supervisory Board of the Bank in fulfilling its oversight responsibilities.

1.2. This Policy document has been adopted by the Supervisory Board based on the requirements of Georgian legislation and Basel II recommendations on corporate governance. It defines the Committee's purpose and role in the Bank's activity, as well as the structure, membership, details of the meetings and other procedural questions related to the Committee's activity.

1.3. In carrying out their responsibilities Committee members shall act in accordance with this Policy document, Regulation of the Supervisory Board of the Bank, Charter of the Bank, decisions of the General Meeting of Shareholders and applicable law.

1.4. In performing its duties, the Audit Committee will maintain effective working relationship with the Supervisory Board, Management Board, Internal and External auditors.

1.5. Committee may only exercise such powers as are explicitly attributed or delegated to it. Committee is performing advisory functions and the decisions that, by law, must be taken by the Supervisory Board, may not be delegated to the Committee.

2. Committee Membership and Composition, Members Rights and Obligations

2.2. Audit Committee shall be formed of at least four individual members, all of which shall be independent (as defined by the Regulation of the Supervisory Board of the Bank), but not necessarily be the members of the Supervisory Board of the Bank. CEO of the Bank must not be the member of the Audit Committee. Committee members should have adequate qualification, necessary knowledge and experience in matters within the Committee's competence. To perform his or her role effectively, each Audit Committee member should obtain an understanding of the detailed responsibilities of Audit Committee as well as the Bank's business, operations and risks.

2.3. Committee members are appointed/selected by the Supervisory Board by a majority of the votes present for a term of four years. Reappointment is allowed without restrictions, provided that a member still meets the criteria for the Committee membership.

2.4. Committee members shall have the following rights:

a. Request documents, reports, explanations and other relevant information from the officers, executives and employees of the Bank;

b. Invite the Bank's officers, executives and employees to its meetings as observers to question them, and seek explanations and clarifications;
c. Utilize the services of outside consultants, experts, and advisors, if necessary;
d. Perform any other duties as may be required by the Supervisory Board within the scope of authority of the Committee as set forth herein;
e. To contribute written suggestions and propositions in order for improvement of Committee activities;
f. To initiate extraordinary meetings of the Committee;
g. To place questions to agenda of the Committee meeting;
h. To vote on any questions in the agenda;
i. To demand inclusion to the Committee meeting minutes of his or her individual opinion;
j. To conduct special meetings with the external or internal auditor in purpose to consideration of the questions requiring confidential discussion;
k. To contribute recommendations on improvement of current Policy for consideration of the Supervisory Board;
l. In any time abolish his or her authority with preliminary notification in certain amount of days before assumed abdication.

2.5. Committee members shall have the following obligations:

a. Participate in the activities and work of the Committee, and attend all its meetings;
b. Treat as confidential all information that becomes known to him/her in the course of performing his/her duties;
c. Inform the Supervisory Board of any changes in his/her independent status or any conflicting interest regarding decisions to be made by the Committee;
d. To confirm in their activities with the Georgian law, the Bank's Charter, current Policy and other regulations of the Bank;
e. To act in the interests of the Bank's shareholders;
f. Not less than once per annum report to Chairman of the Supervisory Board on results of his or her work as a Committee member.

3. Committee's Functions, Role and Responsibility

3.1. General

a. The Audit Committee oversees the Bank's business operations. Its responsibilities include:

- Monitoring of the Bank's financial statements accuracy;
- to review and evaluate the effectiveness of the internal control and internal audit functions;
- Selection and reappointment of external auditors suggested by the Management Board;
- to monitor independence and quality of the external auditor's work;

b. The Audit Committee reports its work results to the AGM on an annual basis and to the Supervisory Board on quarterly basis. The Audit Committee ensures that the Supervisory Board is aware of matters which may significantly impact the Bank's financial condition or activities.

c. The Audit Committee is responsible for review and approval of the internal audit annual plan.

3.2. Internal Control and Risk Management

The Audit Committee's responsibilities with regard to the Bank's internal control system are as follows:

a. Review the implementation of key accounting policies and financial reporting;

b. Review of recommendations on improvement developed by internal audit of the internal controls and risk management policies and procedures established in the Bank;

c. Assessment of the Bank's internal control, risk management, compliance and governance functions' consistency with appropriate policies and procedures;

d. Review of implementation status of:

- the internal auditors' recommendations on internal control system improvement; and
- the correction of internal control deficiencies, revealed by external auditors.

3.3. Internal Audit

The Audit Committee's responsibilities with regard to the internal audit activities are as follows:

a. Annual internal audit plan approval;

b. Quarterly and annual internal audit reports approval; reporting of audit results to the Supervisory Board;

c. Approval of the Internal Audit Regulation;

d. Appointment or dismissing of the head of internal audit, consideration of head of internal audit labor agreement conditions.

e. Monitoring of internal audit findings follow-up undertaken by the Bank management;

f. Conduct at least quarterly meetings with the head of the Internal Audit without the presence of the Management;

g. Approval and subsequent monitoring of internal audit quality assurance and improvement program, developed and maintained by the head of internal audit. Consideration and analysis of internal audit quality self-assessment and external assessment results, where applicable.

h. Annual analysis of planned versus actual work done by Internal Audit department.

i. Assessment of internal audit function performance, giving consideration to internal audit employees competence and independence, as well as their ability to exercise professional judgment.

3.4. External Audit

The Audit Committee's responsibilities with regard to External Audit are as follows:

a. Selection of the external auditor on the basis of the statutory legislation requirements, candidates' qualification and their independence, based on management recommendation;

b. Review and subsequent presentation on Supervisory Board approval of significant conditions of contract with external auditor, including recommendations on external auditor's remuneration and suggestions on reappointment of the Bank's external auditor

c. Discussion with external auditor the nature and extent of audit procedures on forthcoming financial year. Audit Committee may set special focus on required topics or accounts for external auditor to cover with procedures. Audit Committee may initiate external audit assignments on areas/accounts/classes of transactions if Audit Committee considers this is required.

d. Review of the external audit findings and discussion of adjustments to financial statements;

e. Assessment of external audit quality and review of audit report before presenting it on Shareholders meeting;

Getting an assurance that significant findings and recommendations made by the external auditors are implemented properly.

3.5. Non Audit Services

This section sets out the policy and summarises the procedures for the engagement and remuneration of the Auditor for the conduct of non-audit related work. Specific approval from the Audit Committee (the *Committee*) is required before the Auditor is contracted (*permitted non-audit services)*; and

The advance written approval of the Committee must be obtained prior to the engagement of the Auditor with respect to any permitted non-audit services on a case by case basis.

In addition to obtaining the Committee's approval in advance to the undertaking of the activity, it is also necessary to obtain the Committee's approval for any proposed fee to be charged by the Auditor for undertaking the permitted non-audit service.

Specific written request for authorisation for the provision of non-audit services must be submitted to the Committee. Each request must include:

1. a description of the nature of the non-audit service to be provided;

2. whether there are any safeguards in place to eliminate or reduce to an acceptable level any potential threat to Auditor objectivity and independence that may result from the provision of the services; and

3. an estimate of the total fees (including reasonable expenses) that will accrue to the Auditor in the provision of the services, both for individual services and in aggregate, noting the period over which they will be incurred and the amount relative to the audit fee (including the basis on which fees are calculated).

When submitting the request to the Committee it shall include a statement outlining the rationale for using the Auditor (for example, by specifying other service providers considered and explaining why the skills, knowledge and experience of the Auditor make it appropriate to appoint the Auditor).

The Auditor may only be engaged to conduct the services in question once the written submission has been formally approved by the Chair.

Where no Committee meeting is scheduled within an appropriate time frame, approval should be sought from the Chair of the Committee.

Reporting of fees paid to the Auditor for non-audit work

The Committee will receive a written annual report from the Director of Finance at the end of each financial year describing the fees paid to the Auditor for any non-audit work undertaken during that year. The report shall include fees for any pre-approved permitted non-audit services undertaken.

3.6. Financial reporting

The Audit Committee's responsibilities with regard to financial reporting are as follows:

General

a. Review of the Bank's financial accounting policy, developing recommendations on its improvement:

b. Discussion with the internal and external auditors any identified instances of fraud, illegal acts, internal control deficiencies or other similar issues;

c. Review of significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;

Annual Financial Statements

a. Review of the quarterly and annual financial statements and determine whether they are accurate, complete and consistent with the information known by the Audit Committee members; assess whether the financial statements are prepared in compliance with the accepted principles and standards of accounting;

b. To pay particular attention to complex and/or unusual transactions;

c. To review the financial statements and the audit findings with the external auditors.

3.7. Compliance with Legal and Regulatory Requirements, Bank Charter

The Audit Committee's responsibilities with regard to compliance with Georgian legal and regulatory requirements, as well as the Bank's Charter are as follows:

a. Evaluation of the monitoring procedures over compliance of the Bank operations with applicable statutory laws and regulations and internal policies and procedures;

b. Acts of non-compliance review. Corrective measures efficiency assessment;

c. Review of findings of any examinations/audits performed by statutory regulatory agencies.

d. Consideration of all revealed or reported cases of fraud and/or misconduct committed by management or other employees, analysis of efficiency of measures undertaken as a result of these findings.

3.8. Other Responsibilities

In addition to the responsibilities set out above, the Audit Committee will:

a. Perform other oversight functions as requested by the Supervisory Board and the AGM;

b. If necessary, institute special investigations and where appropriate hire special counsel, external consultants or experts to assist in such investigations;

d. Present proposals to the Supervisory Board on updating this Policy document.

4. Committee Structure and Meetings

4.1. **Meetings** - Committee meetings shall be held on a quarterly basis. All Committee members are expected to attend the meetings, in person or via telephone or video conference. The Chairman of the Committee, Chairman of the Supervisory Board or the Chief Executive Officer

of the Bank may each convene the Committee meeting at any time, usually at one week's notice, to consider any matters falling within the competence of the Committee. Committee meeting agenda will be prepared and provided in advance to the members, along with appropriate material.

4.2. **Quorum** – Quorum for the Committee meeting shall be three. Each member shall have one vote. The Chairman of the Committee has a casting vote.

4.3. **Chairman** – one of the independent members from among the Committee members shall be elected by the Supervisory Board as the Committee Chairman. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

4.4. **Secretary** – Company Secretary shall act as Secretary of the Committee and shall attend the Committee meetings. The Secretary shall ensure that the committee receives all necessary information in a timely manner.

4.5. **Attendees** – only the members of the Committee and other independent Board members of the Bank have the right to attend Committee meetings. The Chairman of the Supervisory Board, Chief Executive Officer or other persons may be invited by the Committee Chairman to attend the meeting, if appropriate.

4.6. **Support** – The Committee shall be supported by the Internal Audit Department of the Bank. The Bank shall provide any other necessary support to the Committee's activity, including the financial support, if applicable

4.7. **Minutes** – Secretary to the Committee shall minute the proceedings and the decisions of all meetings of the Committee, including recording the names of those present, absent and in attendance. Secretary to the Committee shall prepare and circulate the draft minutes of the Committee meetings promptly to all members and other attendees of the relevant meeting. Minutes of any meeting shall be announced as final, once approved by the Committee Chairman. To all Supervisory Board members unlimited access to all the minutes of the Audit Committee meetings must be granted in any time. Secretary of the Audit Committee is the key responsible person to provide such an access.

5. Committee Self-Assessment and Reporting

Apart from the regular reporting to the Supervisory Board on the outcomes of activities of the Committee, it shall conduct an annual self-assessment (including the evaluation of the Committee's compliance with this Policy document) and report any conclusions and recommendations to the Supervisory Board not later than in three months period from the end of the relevant year.

6. Disclosure of Information on the Committee Operations

The Committee shall each year prepare a Report which should be presented to the Supervisory Board for approval and be published per the Bank's disclosure policy. Committee information, including the membership of the Committee and the description of the Committee's duties and activities during the year, shall be disclosed on the Bank's web-site.

7. Concluding Remarks

7.1. **Amendments** – This Policy document may be amended by the Supervisory Board at its sole discretion without prior notification.

7.2. **Inconsistency with Georgian Law and Bank's Charter** – Where this Policy document is inconsistent with Georgian law, other applicable Georgian regulation or the Bank's Charter, the latter shall prevail. Where this Policy document is consistent with the Bank's Charter but inconsistent with Georgian law or other applicable Georgian regulation, the latter shall prevail.