

The purpose of “ACBA BANK” OJSC board audit committee charter (hereinafter the Charter) is to define the procedure for formation of the audit committee (hereinafter the Committee) of “ACBA BANK” OJSC (hereinafter the Bank), the requirements set out for the members of the Committee, the procedure for convening and participation in the meetings, the Committee’s operation, areas of responsibility of the Committee and the scope of responsibility of the Chair of the Committee.

This Charter must be applied and complied with by all managers, employees, contributors and contractors engaged in, for or with any of the entities within the governance remit of the Board of the Bank.

## **CHAPTER 1. GENERAL PROVISIONS**

1.1. The Board of the Bank (hereinafter the Board) has delegated its functions for the oversight of matters relating to financial reporting and internal financial controls, in particular reviewing:

- 1) the integrity of the financial statements, formal announcements, and disclosures relating to financial performance;
- 2) the effectiveness of Internal Audit function and the external auditor;
- 3) the effectiveness of internal control systems over financial reporting;
- 4) such other matters as may be referred to it by the Board of the Bank.

## **CHAPTER 2. MEMBERSHIP**

- 2.1. The Committee (including the Chair) will comprise at least three members.
- 2.2. At least one member of the Committee shall have recent and relevant financial experience.
- 2.3. The Committee as a whole shall have competent knowledge of the financial services sector.
- 2.4. The Chair of the Committee shall be appointed by the Board from among the independent Board members.

## **CHAPTER 3. ATTENDANCE IN THE MEETINGS OF THE COMMITTEE**

- 3.1. Only members have the right to attend Committee meetings.
- 3.2. The Committee may invite any Board member, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.
- 3.3. Members are expected to attend Committee meetings in person where possible, but may also attend by telephone or video conference.
- 3.4. The Committee shall meet separately with the external auditor and with the Head of Internal Audit of the Bank at least twice each year without management present.

## **CHAPTER 4. MEETINGS AND QUORUM**

- 4.1. The Committee shall meet with sufficient notice and with such frequency and at such times as it may determine.
- 4.2. The quorum for meetings is two members, including the Chair (or his/her delegate from among the members).
- 4.3. The Secretary of the Committee is the Bank’s Corporate Secretary (or their nominee).

## **CHAPTER 5. RESPONSIBILITY OF THE CHAIR OF THE COMMITTEE**

- 5.1. The Chair’s role requires:
  - 1) fostering an open, inclusive and, where appropriate, challenging discussion;
  - 2) ensuring the Committee has the information necessary to perform its tasks and devote sufficient attention to the matters within its remit;
  - 3) facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
  - 4) safeguarding the independence and overseeing the performance of the Internal Audit;
  - 5) reporting to the Board on the Committee’s activities.

## CHAPTER 6. AREAS OF RESPONSIBILITY OF THE COMMITTEE

6.1. The Committee’s responsibilities shall include:

### 1) **Financial reporting:**

- a. monitor and critically assess the integrity of financial statements of the Bank, and any formal announcements and supplementary regulatory information relating to the Bank’s financial performance.
- b. review, and report to the Board on, significant accounting policies and disclosure practices;
- c. review, and report to the Board on, significant accounting judgements and adjustments;
- d. review going concern assumptions and the viability statement (in conjunction with the Risk Management Committee) and provide confirmation to the Board of the Company’s profitability;
- e. review compliance with accounting standards, listing rules and other relevant requirements relating to financial reporting;
- f. review disclosures that describe the work of the Committee and areas of special interest;
- g. review comment letters from the Central Bank of the Republic of Armenia;
- h. review arrangements established by management for compliance with prudential regulatory financial reporting and best practice requirements, including requirements and recommendations of the regulatory authority;
- i. review matters as advised by the Internal Audit, any other function or the external auditor;
- j. review any significant or unusual items that may need to be highlighted in the annual report by the external auditor;
- ja. review the adequacy of resources and expertise as well as succession planning for the Finance function;
- jb. advise the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Bank’s position and performance, business model and strategy;
- jc. report to the Board on the Bank’s compliance with all applicable corporate governance codes or standards in relation to financial reporting;
- jd. provide assurances to the Board regarding compliance by the Bank with relevant regulations relating to financial reporting.

### 2) **Internal Audit:**

- a. Review and pre-approve the Internal Audit Charter;
- b. oversee the work of the Internal Audit, which reports functionally to the Chair of the Committee, and to pre-approve the appointment and removal of the Head and Members of the Internal Audit;
- c. monitor and assess the effectiveness (including an external review at least every 5 years), performance, resourcing, independence and standing of the Internal Audit;
- d. consider major findings of internal audit activities and management’s response;
- e. pre-approve the Internal Audit budget and annual work plan (including material plan changes during the year);
- f. satisfy itself that the Internal Audit work plan is aligned to the key risks of the business;
- g. satisfy itself that there is appropriate co-ordination between the Internal Audit and the external auditor;
- h. to request that management inform other Board committees: on
  - 1) on material issues arising from or
  - 2) on shortcomings perceived in the scope or adequacy of, the work of the Internal Audit relating to matters falling within the scope of such committees and that feedback is received from them.

### 3) **External Audit:**

- a. apply the Bank’s policy and Corporate Governance Code requirements, as appropriate, including conduct a tender and make recommendations to the Board, for it to submit to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment, or removal of the external auditor and to pre-approve their remuneration and terms of engagement;
- b. oversee the implementation by management of the policy on the engagement of the external auditor to supply non-audit services, taking into account relevant regulatory requirements;

- c. approve in advance the supply of any non-audit services by the external auditor:
- 1) considering the impact this may have on independence;
  - 2) taking into account the relevant regulations and ethical guidance in this regard;
  - 3) agreeing the terms of engagement;
  - 4) the fees for any such services and report to the Board on any improvement or action required;
- d. review and monitor the external auditor’s independence, objectivity and the quality and effectiveness of the audit, considering relevant professional, regulatory and other requirements;
- e. oversee the rotation of audit partners/ external auditors;
- f. review the external auditor’s report on the progress of the audit, its management letter, any material queries raised by the external auditor to management (and their responses). Any material risk or internal control issues (other than issues relating to internal controls over financial reporting) shall be referred to the Risk Management Committee, as appropriate;
- g. discuss with the external auditor the approach, nature, and scope of their audit and reporting obligations throughout the audit process including:
- 1) any significant accounting and auditing problems and reservations;
  - 2) major judgmental areas;
  - 3) alternative accounting treatments together with the potential ramifications;
  - 4) any significant accounting adjustments;
  - 5) the going concern assumptions and viability statement;
  - 6) compliance with accounting standards, stock exchange rules and legal requirements;
  - 7) reclassifications or proposed additional disclosures;
  - 8) any material changes in accounting policies and practices, any communications provided by the external auditor to management and other matters the external auditor wishes to discuss;
- h. oversee the implementation by management of the Bank policy for the engagement of former employees and contractors of the external auditor.

#### **4) Internal Controls:**

- a. review the effectiveness of the Bank’s and its subsidiaries’ internal financial controls (the systems established to identify, assess, manage and monitor financial risks);
- b. consider any findings of major investigations of internal control over financial reporting matters, management’s response and the conclusions of any testing carried out by internal or external auditors;
- c. review all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (including any annual report, and other reports as required by applicable laws and regulations, from the Bank’s Chief Executive and Chief Financial Officer (or equivalent) that such persons have disclosed to the Committee and to the external auditor) which could adversely affect the Bank’s ability to record and report financial data and any fraud, whether material or not, that involves management or other employees who have a significant role in the Bank’s internal financial controls;
- d. review and endorse the content of the statement relating to internal financial controls in the annual report for submission to the Board.

## **CHAPTER 7. OPERATION OF THE COMMITTEE**

### **7.1. The Committee:**

- 1) shall annually review this charter and its own effectiveness, as well as the quality of information it receives, and recommend any necessary changes.
- 2) shall report to the Board on the matters set out in this charter, how the Committee has discharged its responsibilities and will make recommendations on action needed to resolve concerns or make improvements.
- 3) shall obtain any information and documents it requires from any manager or employee of the Bank or its controlled entities;
- 4) may request any information it considers appropriate from the Bank’s subsidiaries.
- 5) shall be kept properly informed and be proactively furnished with accurate and appropriate information as related to its scope by the Executive Management.

6) is authorized by the Board to engage special counsel, advisers, experts, or other consultants and have access to such resources including employees as the Committee may consider appropriate.

7) shall give consideration to laws and regulations of all applicable jurisdictions and regulators.

8) shall work and liaise as necessary with all other Board committees (including to determine where there is an overlap or any gaps in responsibilities). The Committee's interaction with other relevant Boards and Committees of the Group will be reflected in the detailed plans and processes for the Committee which are developed on an ongoing basis throughout each calendar year.

## CHAPTER 8. TRANSITIONAL PROVISIONS

8.1. This edition of the Charter goes into effect since 6 May 2024.



**“ACBA BANK” OJSC BOARD AUDIT  
COMMITTEE CHARTER**

**CHARTER 01#6**

*Approval date  
18/04/24*

*Edition 2*

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<b>AGREED</b>	<b>APPROVED</b>
<b>Chief Executive Officer</b>	<b>Chairman of the Board</b>
<b>H. Andriasyan</b>	<b>18.04.2024</b>
	<b>R. Sargsyan</b>

<b>DEVELOPED</b>
<b>Head of Corporate Law Division</b>
<b>N. Antonyan</b>