

**“ACBA BANK” OJSC**  
**RULES AND REGULATIONS OF THE BOARD**

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## **Note**

Based on the corporate governance reforms taking place at ACBA BANK OJSC, the ACBA BANK OJSC Board Regulation: ACBA 55 REG 02#6, has been completely revised.

# **CHAPTER I. INTRODUCTION**

## **1. DEFINITIONS**

1.1. The terms used in these Rules and Regulations and not defined herein shall be interpreted in accordance with the meaning assigned to them by the legislation of the Republic of Armenia.

1.2. For the purposes of this document, the following definitions apply:

**ACBA Bank Group:** the Parent Company and the Subsidiaries.

**Bank:** “ACBA Bank” Open Joint-Stock Company.

**Bank’s Charter:** The Charter of ACBA Bank OJSC, as approved by the General Meeting of Shareholders and registered in accordance with applicable laws.

**Bank Manager:** Individuals who, within the meaning of the Law of the Republic of Armenia on Banks and Banking, are considered bank managers, including but not limited to the Chairperson of the Board, Board members, the Chief Executive Officer and other managers (e.g., Deputy Chief Executive Officers, Chief Risk Officer, Directors).

**Board:** The collegial governing body of the Bank, responsible for strategic oversight, supervision of executive management, and the protection of shareholder and stakeholder interests, within its competence as defined by applicable legislation and the Bank’s Charter.

**Board Responsibilities:** The areas for which the Board is accountable to the Bank and its stakeholders. These include governance, strategy, risk and compliance oversight, and other core domains affecting the Bank’s long-term success. This definition refers to what the Board must deliver or oversee, as distinct from the functions (how it performs its role).

**Board Functions:** The specific powers and actions through which the Board fulfils its responsibilities. These include, among others, approving, appointing, monitoring, and reviewing. This definition refers to how the Board exercises its authority, as established by applicable legislation, the Bank’s Charter, and these Rules and Regulations.

**Board Duties:** The legal and ethical obligations of Board members to act in the best interests of the Bank and its stakeholders.

**Board Liability:** The legal accountability of Board members for breaches of their responsibilities, functions, or duties.

**Chief Executive Officer (CEO):** The sole executive body of the Bank, responsible for overall management and day-to-day operations, in accordance with applicable legislation and the Bank’s Charter.

**Conflict of Interest:** A situation where a Board member’s personal, financial, or professional interests may interfere with their duties to the Bank.

**Corporate Governance Code:** The Corporate Governance Code of the Republic of Armenia.

**Counting Commission:** The body responsible for overseeing voting and counting votes during the General Meeting, in accordance with applicable legislation and internal procedures.

**Executive Body:** The Chief Executive Officer, acting as the sole executive body of the Bank.

**General Meeting:** The supreme governing body of the Bank, competent to make decisions on matters reserved to shareholders by applicable legislation and the Bank’s Charter.

**Regulatory Body:** Supervisory authority overseeing the Bank’s operations: Central Bank of the Republic of Armenia (hereinafter referred as “Central Bank”).

**Risk appetite:** The amount of risks that the Bank is capable and willing to take without compromising its financial stability and normal operations.

**Top management:** CEO, Deputy CEOs, Chief Risk Officer.

## **2. PURPOSE AND SCOPE**

2.1. These Rules and Regulations establish the governance framework, structure, and operational principles of the Board of ACBA Bank OJSC. They serve to:

- (a) define the composition, structure and procedures of the Board and its Committees;
- (b) clarify the rights, duties, and responsibilities of Board members;
- (c) set standards for Board nomination, succession planning, performance evaluation and remuneration;
- (d) promote transparency, integrity, and effective stakeholder engagement.

2.2. The Bank's Charter, in turn, defines the Board as a governing body and sets out its authority in accordance with applicable legislation and regulations.

2.3. These Rules and Regulations are adopted in accordance with the Law of the Republic of Armenia on Banks and Banking, the Law of the Republic of Armenia on Joint-Stock Companies, the Corporate Governance Code, the Bank's Charter, and other applicable legal acts. In case of any inconsistency between this document and applicable legislation, the provisions of the latter shall prevail.

2.4. These Rules and Regulations also apply, to the extent permitted by law, to the activities of the Bank's subsidiaries within the ACBA Bank Group. Matters of delegation and representation across the Group shall be regulated by the Bank's Charter and relevant internal policies.

## **CHAPTER II. MISSION AND SCOPE OF RESPONSIBILITIES**

### **3. MISSION OF THE BOARD**

3.1. The Board is the collegial governing body of the Bank, responsible for the strategic direction, oversight, and control of the Bank's activities within its legal competence. The Board's mission is to:

- (a) ensure the long-term success and sustainability of the Bank;
- (b) oversee the development and implementation of the Bank's strategy and risk appetite;
- (c) supervise the performance of the executive body;
- (d) promote sound corporate governance, ethical conduct, and regulatory compliance;
- (e) safeguard the interests of shareholders and support effective engagement with stakeholders.

3.2. The Board fulfils its mission in accordance with the principles of integrity, transparency, independence, and accountability.

### **4. BOARD'S SCOPE OF RESPONSIBILITIES**

4.1. The Board is responsible for the following key areas, as defined by applicable legislation, the Bank's Charter, and these Rules and Regulations:

- (a) Bank's strategy and business model;
- (b) Corporate governance;
- (c) Risk and compliance oversight;
- (d) Internal control;
- (e) Financial oversight;
- (f) Stakeholder relations and disclosure;
- (g) Conflict of interest and ethical conduct.

4.2. The specific functions and authorities of the Board as derived from the above mentioned key areas are further defined by the Bank's Charter and applicable legislation.

## **CHAPTER III. BOARD COMPOSITION AND STRUCTURE**

### **5. Diversity Commitment**

5.1. The Board shall promote diversity in its composition to ensure effective decision-making, robust oversight, and inclusive governance. Diversity shall be reflected across the following dimensions:

- (a) gender and age;
- (b) professional specialisation and experience;
- (c) skills, competencies, and leadership styles;
- (d) cultural, academic, and geographic backgrounds, where relevant.

5.2. The Board shall ensure that the representation of each gender is not less than 30%, unless otherwise required by law. Board composition shall be regularly reviewed to maintain an optimal balance of perspectives, aligned with the Bank's strategic goals and risk profile.

### **6. COMPOSITION AND ELIGIBILITY CRITERIA**

6.1. Members of the Board shall be individuals with the integrity, competence, and experience necessary to fulfil their oversight responsibilities effectively. A Board member may be a citizen of the Republic of Armenia or a foreign state, provided they meet the requirements of applicable legislation and the fit and proper criteria established by the Central Bank.

6.2. The composition of the Board shall further meet the following requirements:

- (a) at least one-third of the Board members shall be independent, as defined in provision 7 of these Rules and Regulations, and in accordance with applicable legislation and the Corporate Governance Code. If one third is not a natural number, the integer nearest to one third shall be deemed as the number of independent members of the Board.
- (b) no single shareholder, regardless of ownership stake, may have more than one representative serving on the Board at the same time.

### **7. BOARD MEMBER INDEPENDENCE CRITERIA**

7.1. An individual may be elected as an independent member of the Board if they meet the following criteria:

- (a) has not held a position with an executive body in the Bank, been employed by the Bank, or by any affiliated person of the Bank within the past three years;
- (b) has not received any direct or indirect compensation from the Bank or its affiliated persons in the past three years, other than compensation received as a Board member;
- (c) has not had, directly or indirectly, as a partner, significant shareholder, Board member, or executive body representative, any material business relationship with the Bank or its affiliated persons during the past three years;
- (d) has not been a shareholder or employee of the Bank's external auditor or any affiliated person of the external auditor within the past five years;
- (e) has not served as a Board member of the Bank for more than six years within the past ten years;
- (f) is not a significant shareholder of the Bank;
- (g) has not exercised direct control over the Bank as a public official during the past year;
- (h) is not an immediate family member of any person falling under the conditions listed in sub-points (a) through (g) of this point.

7.2. Shareholders agreements may entail specific rules on the co-nomination of independent members, which should be considered alongside standard independence criteria when assessing Board member independence.

7.3. The restrictions applicable to an independent Board member shall remain in effect throughout the period during which the independent Board member performs their duties.

## **8. CHAIRPERSON OF THE BOARD**

8.1. The Chairperson of the Board (hereinafter referred as “the Chairperson”) shall be elected in accordance with the procedure established by the Bank’s Charter.

8.2. The Chairperson shall possess the leadership, communication, and governance skills necessary to guide the Board effectively.

8.3. The Chairperson shall:

- (a) Lead and manage Board and Board Committees processes:
  - i. organise and coordinate the work of the Board;
  - ii. set and approve the agenda for Board meetings;
  - iii. convene and preside over Board meetings;
  - iv. ensure the proper preparation, accuracy, and maintenance of Board meeting minutes;
  - v. promote a culture of diversity, inclusion, and constructive debate within the Board;
  - vi. encourage the active engagement of all Board members, drawing on their individual expertise;
  - vii. organise the work of Board Committees.
- (b) Serve as liaison with executive body:
  - i. maintain an effective working relationship with the CEO, providing guidance while respecting the CEO’s operational authority;
  - ii. ensure that the heads of control functions (e.g. Internal Audit, Risk, Compliance) may communicate directly with the Chairperson without the presence of the CEO when needed.
- (c) Lead corporate governance development:
  - i. oversee the implementation, monitoring, and continuous enhancement of the Bank’s corporate governance framework;
  - ii. ensure that the governance system remains aligned with international best practices and is responsive to regulatory developments, stakeholder expectations, and the Bank’s strategic priorities;
  - iii. provide leadership in governance-related transformations, including those related to Board structure, evaluation, and reporting.
- (d) External representation and other duties:
  - i. sign the contract with the external auditor on behalf of the Board;
  - ii. sign the CEO’s employment or service contract on behalf of the Board, as approved by the Board decision;
  - iii. chair the General Meeting;
  - iv. exercise any other responsibilities assigned by the Bank’s Charter, these Rules and Regulations, or internal regulations.

8.4. Except as otherwise provided in these Rules and Regulations, the Chairperson shall not hold any other paid position within the Bank.

## **9. SENIOR INDEPENDENT BOARD MEMBER**

9.1. The Board shall elect one of the independent Board members to serve as the Senior Independent Board Member.

9.2. The Senior Independent Board Member shall be elected by a majority of the Board members from among the independent Board members.

9.3. The Senior Independent Board Member shall provide an additional channel of communication between the Chairperson, other Board members, executive body, and shareholders.

9.4. The Senior Independent Board Member shall:

- (a) provide support and constructive feedback to the Chairperson on Board leadership matters;
- (b) serve as an intermediary between the Chairperson and other Board members, where necessary, to facilitate constructive dialogue;

- (c) be available to shareholders if they have concerns which contact through the Chairperson and the Chief Executive Officer has failed to resolve, or where such contact is inappropriate;
- (d) lead, at least once annually, a meeting of Independent Board members without the Chairperson present to appraise the Chairperson's performance;
- (e) lead, as needed, discussions or reviews relating to the Chairperson's re-election, succession, or conduct;
- (f) facilitate open discussion and address any concerns or issues that individual Board members may not wish to raise directly with the Chairperson;
- (g) support the overall effectiveness of the Board by reinforcing its independence and ensuring the voices of all members are heard;
- (h) exercise other responsibilities defined by these Rules and Regulations.

9.5. The scope of responsibilities of the Senior Independent Board Member may be further defined by the Board.

## **10. REPLACEMENT OF THE CHAIRPERSON IN THE EVENT OF ABSENCE**

10.1. In case of the absence of the Chairperson or the impossibility of performing his or her duties or in cases involving a conflict of interest, such duties shall be performed by the Senior Independent Board Member.

## **11. CORPORATE SECRETARY**

11.1. The Board, upon a recommendation of the relevant Board Committee, shall appoint a Corporate Secretary.

11.2. The Corporate Secretary shall, among other things, support the Board and its Committees in the effective performance of their responsibilities by carrying out the following duties:

- (a) facilitate the preparation, scheduling, and organisation of Board and Committee meetings;
- (b) prepare and distribute Board and Committee agendas and supporting documentation in a timely manner;
- (c) record accurate minutes of Board and Committee meetings and ensure their secure storage and accessibility;
- (d) maintain an up-to-date register of Board resolutions and policies;
- (e) support the induction and ongoing training of Board members;
- (f) ensure compliance with statutory and internal requirements related to Board processes, including conflict of interest declarations and related-party transaction disclosures;
- (g) facilitate communication between the Board and executive body, and among Board members as needed;
- (h) coordinate the Board's evaluation processes, in collaboration with the relevant Board Committee;
- (i) support shareholder communications and the preparation of governance-related disclosures;
- (j) maintain the register of Board member qualifications and track Board composition against regulatory and governance requirements;
- (k) monitor developments in corporate governance regulations and best practices, and advise the Board accordingly;
- (l) exercise other responsibilities assigned by these Rules and Regulations or internal regulations;

11.3. The Corporate Secretary shall maintain a register of Board members, which shall be open to inspection by the shareholders of the Bank. The register shall include information as required by the applicable law.

11.4. The Corporate Secretary shall have unrestricted access to relevant information and shall be entitled to escalate governance concerns to the Chairperson or the Board, where appropriate.

## CHAPTER IV. COMMITTEES

### 12. ESTABLISHMENT AND TYPES OF COMMITTEES

12.1. The Board Committees, established to support the Board in fulfilling its responsibilities, operate in accordance with these Rules and Regulations, their respective Committee Charters, Corporate Governance Code, and other applicable laws which define their composition, authority, and functions.

12.2. The Board established the following permanent Committees: Audit Committee, Risk Management Committee, Governance, Nominations, and Remunerations Committee, Strategy Committee.

12.3. Except for the Audit Committee, which is established in accordance with the applicable legislation and regulations, the Board is entitled to establish permanent or ad hoc Committees, or dissolve the existing ones based on the Bank's strategic needs and governance priorities.

12.4. The establishment, composition, authority, scope of responsibility, reporting obligations, and working procedures of each Committee, if different from what is stated in these Rules and Regulations, shall be defined in its respective Charter, as approved by the Board.

12.5. Committees shall act in an advisory capacity to the Board and shall not assume decision-making powers, unless explicitly delegated by the Board in accordance with applicable legislation.

### 13. COMMITTEES OPERATIONAL STANDARDS

13.1. The following operational standards shall apply to all Committees:

- (a) **Annual self-evaluation and review:** Committee shall review annually its own effectiveness, including the quality and sufficiency of information received, and recommend any necessary changes to the Board.
- (b) **Documentation and reporting:** minutes shall be kept for each Committee meeting and submitted to the Board. Committee shall submit regular reports to the Board summarising how the Committee has discharged its responsibilities, including recommendations on improvements.
- (c) **Access to information and resources:** Committee may obtain any information and documents reasonably required for its proper functioning; as well as engage independent professional advisers, consultants, or experts and have access to necessary resources.
- (d) **Coordination with other Committees:** Committee shall liaise and work with other Committees to determine overlaps or gaps in responsibilities. The interaction between Committees shall be reflected in Committee's detailed planning and annual work program.
- (e) **Conflict of interest and confidentiality:** Committee members shall comply with the Bank's conflict of interest and confidentiality requirements at all times.
- (f) **Legal and Regulatory Compliance:** Committee shall consider all applicable laws and regulations governing their operation and duties.

### 14. COMMITTEES COMPOSITION AND STRUCTURE

14.1. Each Committee shall consist of at least three members appointed by the Board.

14.2. The Chairperson of the Audit Committee shall be an independent Board member; the position of the Chairperson of the Board and the Chairperson of the Audit Committee cannot be combined.

14.3. The Chairpersons of the other Committees may be independent, as determined by the Board.

14.4. At least one member of the Audit Committee shall have recent and relevant experience in finance, auditing or accounting. The Board shall appoint members of the other Committees as it deems appropriate, based on their expertise, experience, and ability to contribute to the responsibilities of the respective Committee.

### 15. COMMITTEES MEETINGS AND QUORUM

15.1. Each Committee shall meet as frequently as it determines necessary, with sufficient notice to allow proper discussion of its responsibilities.

15.2. Each Committee meetings may be convened by the respective Committee Chairperson, any member of the Committee, and the Chairperson of the Board, if deemed necessary.

15.3. The quorum for meetings of each Committee shall be two members, including the Chairperson (or their delegate among the members). Decisions shall be made by a majority vote of those present, unless otherwise specified in the Committee's Charter or applicable legislation.

15.4. The agenda and supporting materials shall be circulated to Committee members in advance of each meeting.

15.5. Members are expected to attend Committee meetings in person, but participation through audio or video conferencing is permitted when necessary.

15.6. The Corporate Secretary or designated nominee shall act as the Secretary of each Committee, responsible for maintaining records of meetings, decisions, and reports, and ensuring they are submitted to the Board in a timely manner.

15.7. Each Committee may invite members of executive body, advisors, or other relevant parties to attend meetings, where necessary for the effective performance of its duties.

15.8. The Audit Committee shall meet separately with the external auditor and the Head of Internal Audit at least twice per year, without the presence of executive body.

## **16. COMMITTEE CHAIRPERSON RESPONSIBILITIES**

16.1. Each Committee shall have a Chairperson appointed by the Board.

16.2. The Committee Chairperson shall be responsible for the effective functioning of the Committee and shall:

- (a) lead and facilitate Committee meetings, fostering open, inclusive, and constructive discussions;
- (b) ensure access to relevant information and that adequate time and attention are devoted to matters within the Committee's remit;
- (c) report to the Board on Committee's activities, decisions, and recommendations;
- (d) coordinate with Bank managers and other Board Committees to ensure alignment with corporate objectives and governance standards;
- (e) oversee the independence and performance of the relevant functions within Committee's scope (e.g. Internal Audit, Risk and Compliance, Strategy, or Governance);
- (f) act as a liaison between the Committee, Bank managers, and the Board, and may convene Committee meeting at the CEO's request.

## **CHAPTER V. BOARD MEETINGS AND DECISION-MAKING**

### **17. FREQUENCY AND ATTENDANCE OF MEETINGS**

17.1. The Board shall meet with the frequency necessary for the effective performance of its duties and, in any case, at least once every two months.

1. Additional meetings may be convened by the Chairperson of the Board, or upon written request by a Board member, the Chief Executive Officer, the Deputy Chief Executive Officer, The Chief Accountant, the Head of Internal Audit, the external auditor, the Board of the Central Bank, or shareholders holding at least 5% of the Bank's voting shares.
2. Board members shall attend Board meetings in-person whenever possible, and each member is expected to attend at least 75% of all Board meetings in a calendar year.
3. The CEO shall attend all Board meetings, except for meetings where issues related to the early termination of powers of the Chief Executive Officer as well as confirmation of conditions of his/her remuneration are discussed.
4. Meetings may be held by telecommunication means, unless otherwise permitted by the Bank's Charter.

5. Regular meetings of the Board are expected to be scheduled in advance to avoid any conflict with the commitments of individual Board members that might hinder their attendance at those meetings. The annual schedule of regular meetings for each subsequent calendar year is usually submitted to the Board for review and approval no later than by October of the previous calendar year.

## 18. AGENDA AND DOCUMENTATION

18.1. **Agenda preparation:** The agenda of each Board meeting shall be prepared by the Chairperson, in consultation with the Corporate Secretary and the CEO, taking into account legal obligations, strategic priorities, and proposals submitted by Board members or Committees.

18.2. **Right to propose agenda items:** Each Board member shall have the right to propose items for inclusion on the agenda. Proposals shall be submitted in writing to the Chairperson or Corporate Secretary no later than five working days before the scheduled meeting date.

18.3. **Agenda finalisation and distribution:** The final agenda shall be approved by the Chairperson and distributed by the Corporate Secretary together with the meeting notice and accompanying materials.

18.4. **Supporting documentation:** All materials submitted to the Board shall be prepared in a structured format and shall include the following elements, unless otherwise agreed:

- (a) summary of the issue;
- (b) suggested draft decision wording;
- (c) justification and analysis, including benefits, risks, and possible alternatives;
- (d) relevant background information and supporting documentation;
- (e) presentation time estimate.

18.5. **Timely distribution:** All materials necessary for the Board's consideration shall be provided to Board members at least ten working days before the meeting, unless the matter is urgent and approved for late submission by the Chairperson.

18.6. **Late additions and emergency documentation:** In exceptional cases, additional items may be submitted after the deadline with the Chairperson's approval. These shall be clearly identified as "late additions" and may only be discussed with the consent of a majority of Board members present.

18.7. **Confidentiality:** All agenda materials and documents provided to Board members shall be treated as confidential and used exclusively for the purpose of fulfilling their fiduciary responsibilities.

## 19. QUORUM AND VOTING

19.1. **Quorum requirement:** A meeting of the Board shall be deemed valid if attended by more than half of the elected Board members, unless otherwise provided by the Bank's Charter or applicable legislation.

19.2. **Remote participation:** Participation through audio or video conferencing shall be considered equivalent to physical presence for the purposes of establishing a quorum and voting, unless otherwise provided by law.

19.3. **Personal participation required:** Representation or proxy voting is not permitted. Each Board member shall exercise their voting rights personally.

19.4. **Voting procedure:** Unless otherwise specified by law, the Bank's Charter, or these Rules and Regulations, decisions of the Board shall be adopted by a majority of the votes of the Board members participating in the meeting.

19.5. **Abstentions and recusals:** A Board member who abstains from voting or is recused due to a conflict of interest shall not be counted among the voting members for purposes of majority calculation on that specific item.

19.6. **Decisions adopted by written procedure:** The Board may adopt decisions by written (circulated) procedure, unless prohibited by law or restricted to in-person meetings. In such cases, the same quorum and voting rules shall apply.

## 20. MINUTES AND RECORDS

20.1. The Corporate Secretary shall prepare the minutes of each Board meeting in Armenian and English. Minutes of a meeting shall be drawn up within ten days after the meeting.

20.2. The minutes shall accurately reflect all decisions adopted by the Board and shall be signed by the attending Board members within ten days after the meeting. The minutes shall be deemed signed if approved

either by physical signature or by written confirmation sent from the Board member's registered email address as recorded in the Board member register to Corporate Secretary email address. By signing or confirming the minutes, Board members acknowledge the responsibility for the accuracy and completeness of the information contained therein.

20.3. The minutes shall include:

- (a) the date, time, format, and location of the meeting;
- (b) the names of attending, absent, and remotely participating Board members;
- (c) the names of other attendees;
- (d) the agenda items discussed;
- (e) a concise summary of key points and rationale behind each decision;
- (f) any dissenting opinions or comments explicitly requested to be recorded;
- (g) the wording of decisions taken and the voting results, including individual votes;
- (h) a reference to any materials submitted;
- (i) text of decisions adopted.

20.4. The minutes shall not systematically attribute specific comments to individual members, unless requested or required.

20.5. **Conflict of interest and confidential annexes:** If a Board member refrains from participating in a discussion due to a conflict of interest, their name shall not be disclosed in the general minutes. A confidential annex to the minutes may be prepared under the supervision of the Chairperson (or the Senior Independent Board Member, if the Chairperson is in the situation of conflict of interest). Such annexes shall be signed only by those members who participated in the relevant discussion and shall not be shared with members included in the situation of conflict of interest.

20.6. **Confidential minutes:** sensitive matters — including conflict of interest issues and remuneration — shall be recorded in separate confidential minutes. The general minutes shall state that a confidential discussion took place without disclosing its content. Confidential minutes shall be accessible solely to Board members who participated in the meeting and shall be signed exclusively by those members.

20.7. **Separation of detailed discussion:** to ensure clarity and manageability, the general/main minutes shall focus on decisions and key discussion points. More detailed elements of discussion may be included as an appendix, with the main text of the minutes kept concise.

20.8. **Audio recordings:** where appropriate, audio recordings may be maintained as a reference or appendix to the minutes. Such recordings are not a substitute for written minutes but may support the documentation process.

20.9. **Responsibility for authenticity:** The Chairperson shall be responsible for the authenticity of information contained in a Board decision.

20.10. **Committee minutes:** Minutes of Board Committee meetings shall follow the same principles and shall be submitted to the Board for review where appropriate.

## **CHAPTER VI. NOMINATION, SELECTION, TERMINATION AND SUCCESSION PLANNING**

### **21. BOARD FORMATION AND BOARD MEMBERS SELECTION**

21.1. The composition of the Board, including the number of Board members, is defined by the Bank's Charter.

21.2. Board members shall be elected by the General Meeting in accordance with applicable legislation and the Bank's Charter. Nominations for Board membership shall be submitted to the General Meeting based on a recommendation from the relevant Board Committee and formal approval by the Board. This process ensures that all candidates proposed for election to the Board meet the professional, ethical, and fit and proper requirements established by applicable legislation and internal policies.

## 22. NOMINATION AND SELECTION PRINCIPLES

22.1. **Merit and fitness:** Candidates shall be nominated based on professional experience, integrity, leadership skills, strategic insight, and other fit and proper criteria established by legislation and internal policies.

22.2. **Transparency and objectivity:** The nomination process shall be transparent, structured, and free from bias or undue influence. Evaluation criteria and procedures shall be documented and applied consistently.

22.3. **Strategic alignment:** Board composition shall support the long-term strategy, risk profile, and governance needs of the Bank, as periodically assessed by the Board.

22.4. **Independence:** The process shall ensure the proper identification and nomination of independent Board members in accordance with legal and governance requirements, including any co-nomination requirements agreed among shareholders.

22.5. **Diversity and balance:** Board composition shall reflect a balance of perspectives, including professional backgrounds, gender, age, and other diversity dimensions relevant to effective governance.

## 23. ASSESSMENT OF BOARD NEEDS

23.1. The Board shall periodically assess its current and future composition to ensure alignment with the Bank's strategic objectives, risk profile, and governance obligations. This assessment shall consider:

- (a) strategic priorities and emerging challenges;
- (b) legal and regulatory developments, and stakeholder expectations;
- (c) results of Board evaluation and Board member performance.

23.2. The relevant Board Committee shall support this process and recommend adjustments to the desired mix of skills, experience, and independence. The outcomes shall inform the Board Skills Matrix and guide nomination and succession decisions.

## 24. BOARD SKILLS MATRIX

24.1. The Board shall maintain a Board Skills Matrix to identify the collective skills, experience, independence, and diversity required for effective oversight and strategic guidance. The Skills Matrix shall:

- (a) serve as a reference for nominations, reappointments, and succession planning;
- (b) reflect the evolving strategic and governance needs of the Bank;

24.2. The Board Skills Matrix shall be developed and maintained in accordance with the following principles:

- a) **Strategic alignment:** reflect the Bank's strategic priorities, business model, and risk appetite, ensuring the Board can effectively oversee current operations and future positioning;
- b) **Balanced skill distribution:** maintain an optimal mix of competencies, avoiding both over-concentration and underrepresentation, with clear thresholds for critical areas;
- c) **Core and specialised competencies:** distinguish between: universal competencies expected of all Board members; core banking and governance competencies broadly required across the Board; specialised areas (e.g., cyber security, ESG (Environmental, Social, and Governance), digital transformation) requiring targeted expertise;
- d) **Collective and individual mapping:** enable capability mapping at both the Board level and the individual level;
- e) **Forward-Looking perspective:** anticipate emerging needs such as technological innovation, regulatory shifts, and evolving stakeholder expectations;
- f) **Diversity integration:** promote cognitive and experiential diversity across professional backgrounds;
- g) **Objective and measurable assessment:** use standardised criteria and defined proficiency levels to support transparent evaluation and gap analysis.

24.3. The relevant Board Committee shall review and update the Board Skills Matrix regularly, and recommend adjustments for Board approval to ensure the Board remains well-balanced and fit for purpose.

## **25. CANDIDATE IDENTIFICATION AND RECOMMENDATION**

25.1. Candidates for Board membership may be identified through shareholder nominations, professional networks, external advisors, or other appropriate channels. All candidates shall be subject to a structured assessment process, aligned with fit and proper requirements and the Bank's strategic and governance needs.

25.2. The relevant Board Committee shall evaluate candidates based on the Board Skills Matrix, independence requirements, and ethical standards. This includes reviewing professional background, qualifications, potential conflict of interest, and alignment with the Bank's values.

25.3. Following evaluation, the Committee shall recommend a shortlist of candidates to the Board. The Board shall approve the final list of nominees to be submitted to the General Meeting in accordance with applicable legislation and the Bank's Charter.

## **26. TERM OF OFFICE**

26.1. Board members shall serve for a term as defined by the decision of the General Meeting, which shall not be less than one year, in accordance with applicable legislation.

26.2. Board member's mandate shall cease upon expiration of their term, voluntary resignation submitted in writing, or removal in accordance with the procedures and grounds established by applicable legislation.

26.3. Board members may be re-elected upon the expiration of their term, unless otherwise provided by applicable legislation or the Bank's Charter.

26.4. The General Meeting shall terminate the powers of a Board member before the expiry of their term if:

- (a) the member is declared legally incapacitated or partially incapacitated by a final court decision;
- (b) circumstances arise during their term that disqualify them from holding the position of Board member (Bank manager) under applicable laws;
- (c) the member has been absent without valid reason from at least one-fourth of the Board meetings during a calendar year, or from at least half of all meetings regardless of reason. Participation by remote means in real time, as permitted by the Bank's Charter, shall be considered full participation;
- (d) the member has been disqualified or legally banned from holding certain positions in accordance with law.

26.5. The powers of a Board member shall also be terminated early:

- (a) upon submission of a written resignation;
- (b) in the event of the member's death;

26.6. The powers of a Board member may be terminated before the end of their term by the General Meeting, in accordance with procedure on payment of compensation set forth in clause 39 (1) of these Rules and Regulations.

## **27. SUCCESSION PLANNING FOR BOARD MEMBERS**

27.1. The Board shall ensure continuity and effectiveness in its leadership through proactive succession planning, which aims to:

- (a) anticipate and prepare for future Board composition needs;
- (b) ensure timely identification of suitable candidates for planned and unplanned vacancies;
- (c) maintain the appropriate balance of skills, independence, and diversity.

27.2. The relevant Board Committee shall oversee the succession planning process, including the assessment of potential successors, development considerations, and coordination of nomination timelines.

Succession plans shall be reviewed and updated regularly based on Board evaluations, term expirations, and strategic developments.

27.3. In the case of unplanned vacancies or early departures, the Committee shall support the timely identification and nomination of interim or replacement candidates, in accordance with the procedures set out in these Rules and Regulations, the Bank's Charter and other internal regulations of the Bank.

## **CHAPTER VII. RIGHTS, DUTIES AND LIABILITY OF THE BOARD MEMBER**

### **28. GENERAL PROVISIONS**

28.1. Board members shall act in good faith in the best interests of the Bank, its shareholders, and other stakeholders, exercising their powers and discharging their duties with the care, diligence, and skill that any person would exercise in comparable circumstances.

28.2. Board members shall comply with all applicable laws of the Republic of Armenia, including but not limited to the Law on Banks and Banking, the Law on Joint-Stock Companies, regulations issued by the Central Bank, Corporate Governance Code, the Bank's Charter, these Rules and Regulations, and other internal regulations of the Bank.

### **29. RIGHTS OF BOARD MEMBERS**

29.1. Each Board member shall have the right to:

- (a) request and receive from the Chairperson and Corporate Secretary complete, accurate, and timely information necessary for the performance of their duties;
- (b) propose items for inclusion in the agenda of Board meetings and submit draft decisions for consideration by the Board;
- (c) express their opinion and vote on all matters submitted for consideration at Board meetings;
- (d) request the convening of an extraordinary Board meeting in accordance with the procedure established in the Bank's Charter;
- (e) dissent from decisions of the Board and have their dissenting opinion recorded in the minutes of the meeting;
- (f) receive remuneration and compensation for expenses incurred in connection with the performance of their duties, as determined by the General Meeting;
- (g) engage external advisors or experts at the Bank's expense, subject to prior approval by the Board, when necessary for the proper discharge of their duties;
- (h) participate in specialised training and professional development programs relevant to their role as Board member;
- (i) resign from their position by submitting written notice to the Chairperson of the Board.

### **30. DUTIES OF BOARD MEMBERS**

30.1. Each Board member shall have the duty to:

- (a) act in the best interests of the Bank in the performance of their duties;
- (b) exercise their rights and fulfil their obligations with due care, diligence, and in good faith;
- (c) make informed decisions after reviewing all relevant information reasonably available to them;
- (d) apply independent judgment in all deliberations and decisions, free from external influence;
- (e) allocate sufficient time and attention to effectively carry out their responsibilities and exercise reasonable effort in doing so;
- (f) undertake their responsibilities with professionalism, effectiveness, and strategic thinking;
- (g) avoid conflict of interest and promptly disclose any actual or potential conflicts to the Board;
- (h) not accept benefits from third parties that may be considered unreasonable or that may result in a conflict of interest with the Bank or its affiliated persons;
- (i) ensure equal and fair treatment of all shareholders of the same class;

- (j) maintain the confidentiality of all non-public information acquired during the performance of their duties, including after ceasing to serve as a Board member;
- (k) not use the Bank's property, information, or position for personal gain or to compete with the Bank;
- (l) report to the Board any violations of applicable legislation, the Bank's Charter, or these Rules and Regulations that come to their attention;
- (m) continuously enhance their knowledge and skills through training and professional development relevant to their role;
- (n) support the long-term success of the Bank and contribute to the development and implementation of its strategic objectives.

### **31. DUTIES OF INDEPENDENT BOARD MEMBERS**

31.1. In addition to the general duties outlined in provision 30, which shall apply to independent Board members *mutatis mutandis*, an independent Board member shall:

- (a) refrain from any actions that may compromise their independence; in the event of loss of independence, promptly inform the Board and disclose the underlying reasons;
- (b) ensure that information regarding independent Board members and their compliance with independence criteria is disclosed in the Bank's Corporate Governance Report in accordance with applicable legislation.

### **32. INCOMPATIBILITY AND RESTRICTIONS OF BOARD MEMBERS**

32.1. **Affiliation restrictions:** Board members shall not be affiliated with one another. A Board member shall not be affiliated with any member of the Bank's executive body. For the purposes of this provision, affiliation includes family relationships, significant financial or business ties, joint ownership interests, and any other relationships that may reasonably be perceived to compromise independence or objectivity.

32.2. **Separation from the executive function:** Board members may not concurrently serve as a member of the Bank's executive body, nor may be employed by the Bank in any other capacity.

32.3. **External appointments in financial institutions:** Board members shall not serve on the Board or executive body, or other employee of any other bank or credit organisation operating in the Republic of Armenia, except for entities that are directly or indirectly controlled by the Bank. Service on the boards of other financial institutions outside the Bank's group is subject to prior approval by the Board, based on an assessment of time commitment, sartorial exposure, and potential conflict of interest.

32.4. **Overboarding:** Board members shall not hold such a number of Board or equivalent positions in other companies or organisations that may impair their ability to effectively discharge their duties to the Bank. Particular care shall be taken to avoid excessive mandates in the financial services sector.

32.5. **Involvement in internal control bodies:** Board members may not serve as a member of the Bank's Counting Commission or any other internal control function that would compromise the separation of oversight and execution.

32.6. **Regulatory compliance:** All restrictions on Board membership set by applicable laws and regulations, including fitness and propriety requirements, shall apply in full alongside the stricter provisions of this sub-point.

### **33. CONFLICT OF INTEREST**

33.1. Board members must avoid situations where their personal interest conflict, or appear to conflict, with the interests of the Bank.

33.2. A Board member shall immediately disclose to the Board any personal interest in a transaction or other matter being considered by the Board. Disclosure shall be made to the Chairperson and the Corporate Secretary without delay and documented in the minutes of the meeting.

33.3. A Board member shall not participate in discussions or vote on matters in which they have a conflict of interest. The Chairperson may request the member to leave the meeting during such deliberations, and may take other reasonable steps to safeguard the integrity of the process.

33.4. The identification, disclosure, and management of conflict of interest shall be further governed by the relevant internal policy, as approved by the Board. All Board members are required to comply with the provisions of the respective policy in full.

### 34. LIABILITY OF BOARD MEMBERS

34.1. Board members shall be liable to the Bank and its shareholders for actual damages caused by their intentional actions/omissions or decisions in violation of applicable legislation, the Bank's Charter, or these Rules and Regulations, as well as in other cases set forth under Sub-clause 35 (2), point (c) of these Rules and Regulations.

34.2. Board members shall bear joint and several liability if a harmful action was taken collectively.

34.3. A Board member shall be exempt from liability if they voted against the decision that caused the damage or were not present at the meeting during which the harmful decision was adopted.

34.4. Without limiting the generality of the foregoing, the liability of Board members shall include, but is not limited to, the following cases:

- a) where the Board approves a transaction requiring its consent that violates regulatory limits established for lending to single borrower, to large borrowers, or to related parties, and such transaction results in actual damages to the Bank;
- b) if reports submitted to the Board reveal violations of laws, regulations, or internal regulations of the Bank, and the Bank subsequently incurs losses due to the same violations, Board members shall be jointly and severally liable, unless the individual member took reasonable and sufficient actions within their authority to prevent such violations.

34.5. A Board member shall not be held liable for a decision made in accordance with sound business judgment, where the member reasonably believed it to be in the best interests of the Bank and no laws or other regulations were breached, even if the decision later resulted in losses.

34.6. The Bank may obtain liability insurance for Board members to protect them against claims arising from the service on the Board, except for claims resulting from wilful misconduct or gross negligence.

34.7. The resignation or removal of a Board member does not release them from liability for damages caused to the Bank as a result of actions or omissions committed during their term of office.

### 35. SANCTIONS IMPOSED ON BOARD MEMBERS

35.1. Except for cases prescribed in these Rules and Regulations and the general rules of liability established by the Civil Code of the Republic of Armenia, Board members may be subject to sanctions imposed by the Central Bank in accordance with the Law of the Republic of Armenia on Banks and Banking.

35.2. The following sanctions may be imposed on Board members:

- (a) **Warning and assignment to eliminate violations:** a written warning may be issued that records the violation committed and includes an assignment to eliminate the violation within a prescribed period and/or prevent its recurrence. A warning may be issued for each violation described in Clause 34 of these Rules and Regulations.
- (b) **Fine.** the Central Bank may impose a fine of up to 1,000 times the prescribed minimum salary. If the Board member does not accept the impositions or the amount of the fine, the fine shall only be levied upon a court decision, following a claim initiated by the Central Bank. Fine shall be paid from the personal funds of the Board member and transferred to the state budget. A fine may be issued if a Board member carried out unjustified risky activities, voted to approve a transaction violating the main regulatory limits established for lending to single borrower or the maximum amount of the risk for persons related to the bank at the moment of lending, prevented revisions of the Central Bank or failed to fulfil the assignments given by the Central Bank as prescribed by law, violated the laws or other legal acts.
- (c) **Revocation of qualification certificate:** the Central Bank may revoke the qualification certificate of a Board member if the member:
  - i. deliberately violated laws or regulations;

- ii. during his/her term of office carried out unjustified and dangerous activity; obstructed the actions of the Central Bank and its officers in relation to exercising control functions;
- iii. carried out actions which might cause or caused the Bank significant financial or other damages;
- iv. acted in conflict with the interests of the Bank or its customers;
- v. treated his/her official duties, including fiduciary duties assumed in relation to the Bank and the customers of the Bank, dishonestly and in bad faith;
- vi. no longer meets the qualification standards set by the Central Bank.
- vii. failed to comply with warnings or assignments of the Central Bank.

35.3. The Central Bank may impose two or more of the above sanctions simultaneously on the same Board member.

35.4. Imposition of sanctions provided for by this clause shall not release the Board member from liability provided for by laws, other legal acts and agreements.

## **CHAPTER VIII. PERFORMANCE EVALUATION AND TRAINING**

### **36. BOARD EFFECTIVENESS AND DEVELOPMENT**

36.1. The Board shall regularly evaluate its performance, as well as that of its Committees, individual members and the Chairperson, to ensure continued effectiveness, accountability, and leadership capacity:

- (a) **Board performance evaluation:** The Board shall conduct an annual assessment of its performance covering key governance areas, including strategic oversight, risk management, decision-making, composition, and effectiveness of meetings. An external independent evaluation shall be carried out at least once every five years.
- (b) **Committee performance evaluation:** Each Committee's performance and relevance shall be periodically reviewed by the Board as part of its broader governance assessment.
- (c) **Individual assessment:** Each Board member shall undergo an annual performance review to confirm their continued suitability, engagement, and contribution to the Board's work. This assessment may include self-assessment, peer review, and feedback from the CEO.
- (d) **Chairperson review:** The Chairperson shall be subject to an annual evaluation, led by the Senior Independent Board Member. The results shall be used to enhance leadership and Board effectiveness.
- (e) **Induction and training:** The Bank shall provide tailored induction to new Board members and ensure ongoing professional development for all members. Training priorities shall be reviewed annually by the relevant Board Committee, and a record of training activities shall be maintained.

36.2. The Board shall discuss the outcomes of each assessment cycle, agree on improvement actions, and monitor progress over time. The structure and methodology of evaluations and training shall be defined in internal procedures and overseen by the relevant Board Committee.

## **CHAPTER IX. REMUNERATION**

### **37. PRINCIPLES OF BOARD REMUNERATION**

37.1. The remuneration of Board members shall be fair, transparent, and aligned with the Bank's long-term objectives, risk profile, and stakeholder expectations. It shall enable the recruitment and retention of qualified individuals while safeguarding their independence and objectivity.

37.2. Board members shall receive fixed remuneration that reflects their time commitment and responsibilities. No performance-based or variable remuneration shall be paid to Board members. The

remuneration of all Board members shall be equal, except for the Chairpersons of the Board and its Committees, whose remuneration reflects the scope of additional responsibilities assigned to them. Training and development activities undertaken by Board members shall not be separately compensated.

### **38. STRUCTURE AND OVERSIGHT OF REMUNERATION**

38.1. Board remuneration shall consist of fixed components such as an annual retainer and/or attendance fees. The remuneration scheme and its structure shall be proposed by the Board, based on a recommendation from the relevant Board Committee, and approved by the General Meeting.

38.2. The Chairperson of the Board shall receive fixed remuneration that reflects his/her broader responsibilities, current duties, and workload. The Chairperson may also be entitled to receive non-monetary benefits, such as use of administrative resources, office facilities, or other forms of support. The scope and nature of such benefits shall reflect the Chairperson's responsibilities and must be approved in accordance with the Bank's internal governance procedures.

38.3. Board members shall be remunerated for participation in strategic seminars, special meetings at the same rate as for Board or Committee meetings, respectively, up to the maximum budgeted amount allocated to the Board.

38.4. Board members shall be reimbursed for reasonable and documented travel and accommodation expenses incurred in the performance of their duties, in accordance with the Bank's internal procedures. In addition to expense reimbursement, a fixed travel indemnity may be paid to Board members to compensate for the time, inconvenience, and effort associated with travel.

### **39. REMUNERATION UPON EARLY TERMINATION**

39.1. If the term of a Board member's office is terminated early by decision of the General Meeting, the Board member shall be entitled to remuneration for the remaining term of office. If the remaining term exceeds one year, the member shall be entitled to meeting attendance fees and retainer payments equivalent to one year of service.

39.2. The Bank reserves the right to recover such compensation through judicial proceedings if it determines that the Board member failed to fulfil their official duties with due care or diligence.

39.3. If the powers of a Board member are terminated due to the expiry of his or her term of office, the Board member may, by decision of the Board, be paid remuneration for up to two years Board and Committee meetings (of which the Board member was a member on the date of expiry term of office) attendance fees and retainers.

### **40. CLAWBACK AND REVIEW**

40.1. The Bank may reduce or reclaim paid remuneration (malus or clawback) in cases where a Board member has failed to fulfil their duties with due care, subject to a reasoned decision by the Board based on the relevant Committee's recommendation.

40.2. The Board shall review its remuneration principles and scheme at least annually, or upon material changes in legal or governance requirements.

### **41. DISCLOSURE AND TRANSPARENCY**

41.1. Information on the remuneration of Board members shall be disclosed in the Bank's Corporate Governance Report, in line with applicable regulatory requirements.

## **CHAPTER X. RELATIONS WITH STAKEHOLDERS**

### **42. DEFINITION AND SCOPE OF STAKEHOLDERS**

42.1. For the purposes of these Rules and Regulations, stakeholders of the Bank include, but are not limited to:

- (a) shareholders, including minority shareholders;
- (b) customers and clients of the Bank;

- (c) employees and Bank managers;
- (d) regulators and supervisory authorities, particularly the Central Bank;
- (e) investors and strategic partners;
- (f) external auditors and rating agencies;
- (g) the general public and community, particularly in connection with the Bank's corporate social responsibility activities.

### **43. PRINCIPLES OF STAKEHOLDER ENGAGEMENT**

43.1. The Board shall ensure that the Bank maintains transparent, fair, and constructive relationships with its stakeholders in line with its corporate values and long-term objectives. Stakeholder engagement shall be governed by principles of good faith, mutual respect, accountability, and transparency.

43.2. The Board shall supervise that mechanisms are in place to identify key stakeholder expectations and to respond to relevant concerns in a timely and effective manner. Stakeholder relations shall be conducted in accordance with applicable legislation, internal policies, and recognised standards of corporate governance.

### **44. RELATIONS WITH SHAREHOLDERS**

44.1. The Board shall facilitate effective communication with shareholders and ensure that all shareholders are treated fairly and equally, including access to accurate and timely information concerning the Bank's operations, financial results, and strategic developments.

44.2. The Board shall facilitate the effective participation of shareholders in key corporate decisions as required by applicable legislation, including but not limited to:

- a) approval and amendments to the Bank's Charter;
- b) reorganisation of the Bank;
- c) major transactions as defined by law and Bank's Charter;
- d) election of Board members;
- e) approval of financial statements and other key issues.

44.3. The Board shall promote mechanisms to protect minority shareholders in accordance with applicable legislation and governance standards.

44.4. The Board shall oversee the preparation and conduct of General Meetings in accordance with applicable laws and regulations.

44.5. Board members who are not shareholders of the Bank shall attend the General Meeting with an advisory vote.

## **CHAPTER XI. TRANSITIONAL PROVISIONS**

### **45. ENTRY INTO FORCE OF THE REGULATION**

45.1. This version of the Regulation enters into force on 05.06.2025, with the exception of the provisions of Section 9 (Remuneration), which will enter into force after the amendments to the Bank's Charter approved by Resolution No. N 26-11 of the General Meeting dated 29/05/2025 come into effect.

### **46. APPROVAL OF REMUNERATION BY THE GENERAL MEETING**

46.1. After the provisions of Section 9 come into force, the first Annual General Meeting shall approve the remuneration scheme and structure for the Board members, guided by the provisions of the said Section.