

# Charter

## JSC ProCredit Bank

Approved by the Decision of Shareholder on February 7, 2025

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# **Charter of JSC ProCredit Bank**

## **Part I**

### **Name, Head Office, and Purpose of the Bank**

#### Article 1

1. JSC ProCredit Bank (hereinafter the "Bank") has been established in accordance with the Laws of Georgia for the purpose of providing a full range of banking services.
2. The Bank is a legal person governed by this Charter, the Law of Georgia on Commercial Banks as amended from time to time, the Law of Georgia on Entrepreneurs (as amended from time to time), and all other relevant laws and regulations including the regulations of the National Bank of Georgia.

#### Article 2

1. The Bank conducts its business operations under the name JSC "ProCredit Bank". The legal address of the Bank is 21 Al. Kazbegi Avenue, Tbilisi 0160, Georgia.
2. The Bank has a logo, the design of which is provided in Annex 1 hereto.

## **Part II**

### **Equity Capital and Shares**

#### II.1. Equity Capital

#### Article 3

The cash contributions paid in by the Shareholders in accordance with Article 6 of this Charter constitute the paid-in share capital of the Bank. The equity capital of the Bank consists of the paid-in share capital, statutory and voluntary reserves and retained earnings.

#### Article 4

The paid-in share capital may be further increased beyond the amounts set forth in Article 5 (i) in accordance with Article 7, through further issuances of new shares or conversion of voluntary reserves and retained earnings by a resolution passed by the General Meeting Assembly of Shareholders, whereby any such further increases in the share capital shall be authorized by a two-thirds (2/3) majority of the General Assembly of Shareholders, or (ii) through further issuances of new shares by way of a capital increase out of authorized capital, if any.

## II.2. Forms of Shares and Paid-In Capital

### Article 5

1. The share capital of the Bank shall be GEL 112,482,805 (one hundred and twelve million four hundred eighty-two thousand eight hundred five Georgian Lari) and shall be fully paid in.
2. The shares of the Bank are 22,496,561 (twenty two million four hundred ninety six thousand five hundred sixty one) registered ordinary shares, the nominal value of which constitutes GEL 5 (five Georgian Lari) each.
3. Each ordinary share has one vote in the General Meeting of Shareholders.

### Article 6

When any Shareholder has paid for its share, the Bank shall promptly issue a receipt evidencing the payment. The Bank shall register each shareholder, the number of shares it holds, and any other information required by law, with the share registry and furnishes the proof of registration to such shareholder. The share registry for the Bank shall be maintained by an independent share registrar; the Bank shall cause the independent share registrar to make all registrations and furnish all proof thereof to the Shareholders required to be made or furnished under this Charter.

## II.3. Increase of Paid-In Capital

### Article 7

1. Unless otherwise agreed between the Shareholders, any increase of paid-in capital shall be in the form of an issue of such number of ordinary shares (one share having one vote), and preferred shares (the shares having no voting rights), as to ensure the same share participation of the Shareholders in the total Equity Capital of the Bank. All issued shares shall be fully paid in.
2. Any increase of paid-in capital shall be determined by a resolution of the General Assembly of Shareholders by two thirds majority vote and in accordance with Article 6.
3. Each Shareholder shall have a pre-emptive right to subscribe for the newly issued ordinary and preferred shares in proportion to its existing shareholding at the time of the relevant issue. Such pre-emptive right shall be exercised by written declaration to the Board of Directors within one month after the determination of the General Assembly of Shareholders with regard to the respective new issue.
4. Article 6 shall apply accordingly with regard to the issuance of receipts and registration of shares.
5. All details of new shares and the terms of issue shall be set forth in a Share Issuance and Subscription Agreement to be entered into by the Bank and the Shareholders willing to subscribe for new shares, provided that (i) such details are in accordance with Article 6 hereof, (ii) Article 5.3 shall apply to the new shares, and (ii) no new shares shall be issued to persons other than the Shareholders without the prior consent of the Shareholders.
6. In the event of a capital increase the Board of Directors shall carry out all the necessary arrangements for registration of the increase of the share capital, inclusive of any required amendments to the Charter,

as well as registration of issuance of the new shares with independent share registrar or any other competent registration body, and notifications thereof with the National Bank of Georgia and/or any other body, as required under the applicable laws.

### **Part III**

#### **Rights and Obligations of Shareholders**

##### III.1. General

###### Article 8

The rights and obligations of the Shareholders shall be determined by this Charter and relevant Shareholders Agreement between the Bank and the Shareholders.

##### III.2. Profit and Loss Distribution, Reserves

###### Article 9

Any Shareholder of ordinary voting shares shall have, inter alia, the following rights:

- to vote at the General Assembly of Shareholders,
- to participate in the distribution of profits in relation to its shareholding, and
- except as modified by the written agreement of the Shareholders, to transfer its shares to the third parties. Each of the Shareholders shall have a pre-emptive right with regard to the shares to be transferred, except as otherwise provided by the written agreement of the Shareholders.

##### III.2. Criteria to be fulfilled with Respect to the Distribution of Profits

###### Article 10

In accordance with the applicable laws and this Charter, the General Meeting of Shareholders shall be informed by the Supervisory Board in writing at least 20 (twenty) days in advance of the Annual General Meeting as to the amount and composition of expenses and revenues. The Annual General Meeting of Shareholders shall approve the audited annual reports by a two-thirds majority vote.

### **Part IV**

#### **Business to be Engaged in by the Bank**

###### Article 11

1. The Bank may duly engage in such business activities as permitted for the commercial banks under effective legislation, however, without engaging in or financing such activities as specified in the Social and Environmental Exclusion List attached hereto as Annex 2.
2. The Bank shall grant credit to any single customer or groups of related customers (i.e. loans, letters of credit, guarantees etc.) in amounts of only up to the equivalent of 10% of the Bank's Regulatory Capital. Exceptions will require prior approval of the Supervisory Board.

Article 12

1. Decisions on opening and closure of branches/service centers/service points or similar shall be adopted by the Board of Directors.

**Part V**

**Governing Bodies of the Bank**

V.1. General

Article 13

1. The Governing Bodies of the Bank are the General Assembly of Shareholders, the Supervisory Board and the Board of Directors.
2. The General Assembly of Shareholders is the supreme decision-making body within the Bank.
3. The Supervisory Board defines the business policy of the Bank and provides instructions and directions to the Board of Directors. Unless otherwise provided by Georgian law, the Supervisory Board appoints and dismisses the members of the Board of Directors.
4. The Board of Directors is responsible for the day-to-day operations and represents the Bank.

V.2. General Meeting of Shareholders

Article 14

The General Meeting of Shareholders conducts two types of meetings: Annual and Extraordinary Meetings of Shareholders. The Annual Meeting of Shareholders shall be held at least once a year, not later than within 6 (six) months after drawing up the annual balance sheet.

Article 15

Every ordinary voting share confers the right to cast one vote in the General Meeting of Shareholders.

Article 16

Any Shareholder holding ordinary voting shares may participate in the General Meeting of Shareholders either by attending in person or via duly authorized representative. Voting rights may not be delegated to members of the Board of Directors and/or members of the Supervisory Board or to the employees of the Bank.

Article 17

The General Meeting of Shareholders shall have a quorum if more than half of all votes in the General Assembly of Shareholders are present or represented, provided no other specific arrangements are set forth under effective laws of Georgia or this Charter.

#### Article 18

All resolutions shall be passed by a simple majority vote of votes present or represented, provided no other specific arrangements are set forth in this Charter.

#### Article 19

In the course of the General Meeting of Shareholders, its members may make their views known either orally or in a written form. The General Meeting of Shareholders may pass resolutions only at its meetings.

#### Article 20

1. The General Meeting of Shareholders receives the reports on operations prepared by the Supervisory Board and, by simple majority of the votes present or represented, in accordance with Georgian law and this Charter:
  - 1.1. appoints and dismisses the members of the Supervisory Board;
  - 1.2. approves the work performed by the Supervisory Board and the Board of Directors ;
  - 1.3. appoints and dismisses an external auditor of the Bank.
  - 1.4. adopts other decisions prescribed under effective laws of Georgia.
2. By a two-thirds majority of votes present or represented, the General Meeting of Shareholders in accordance with effective laws and this Charter:
  - 2.1. approves the annual audited financial report and accounts, the allocation and the distribution of profit and loss recorded therein and decides whether the reserves shall be set aside, and earnings shall be retained.
  - 2.2. approves sales of more than half of the Bank's assets.
  - 2.3. approves public listing of the Bank's shares on the securities market.
3. The General Meeting shall decide on the increase or decrease of the bank's paid-in capital by a majority of three quarters (3/4) of the participants in the voting. In such case, shareholders holding at least two thirds (2/3) of the total votes must be present at the General Meeting. Such a decision shall be subject to a separate vote for each class of shares which are affected by the decision. The general meeting may adopt such a decision only based on the proposal of the supervisory board. A notice on convening the general meeting shall specify the purpose of the reduction/increase of paid-in capital and the way in which it is to be carried out.
4. By a three-quarters (3/4) majority of the votes present or represented, the General Meeting of Shareholders, in accordance with effective laws and this Charter:
  - 4.1. approves and amends this Charter;
  - 4.2. decides on reorganization of the Bank, in particular: changes to the legal status of the Bank, merger of the Bank with other bank or entity, or the dissolution of the Bank.

#### Article 21

The elected Chairperson of the General Meeting of Shareholders, presides at the meetings of the General Meeting of Shareholders.

### V.3. Annual General Meeting of Shareholders

#### Article 22

1. The Annual Meeting of Shareholders shall be convened by the Chairman of the Supervisory Board (in his absence any other member of the Supervisory Board). The Chairman of the Supervisory Board also sets the agenda. A decision on convening the general meeting shall be published on the electronic platform of the registration authority not later than on the 21<sup>st</sup> day before the day of the general meeting. A decision on convening the general meeting shall also be published on the website (if any) of the Bank.

#### Article 23

1. Where one Shareholder owns **100 (one hundred)** % of the Bank shares, convention of the General Meeting of Shareholders is not required for the decision making. The decisions of such a shareholder are equal to the minutes of the General Meeting of Shareholders.
2. The decisions of the Shareholder owning **100 (one hundred)** % of the shares shall be made in writing.

### V.4. Supervisory Board

#### Article 24

1. The Bank is supervised by a Supervisory Board whose members are elected by the General Meeting of the Shareholders. Members of the Supervisory Board may be dismissed at any time by the General Meeting of Shareholders, if there are essential reasons to do so. The members of the Supervisory Board may not hold the executive position in the bank and may not be the employees of the Bank.
2. The Supervisory Board shall hold the meeting at least once a quarter. If necessary, the frequency of meetings may be increased at the discretion of the Supervisory Board.
3. The Supervisory Board shall consist of at least 3 (three) members. Should the number of members increase, pursuant to a resolution of the General Meeting of Shareholders, the number of members shall not exceed 21 (twenty-one). In case of an equality of votes among the members of the supervisory board, the Chairman of the Supervisory Board shall have a casting vote.
4. The Chairman of the Supervisory Board is generally responsible for the effective functioning of the board, establishing of trust and cooperation among the board members, coordination and cooperation between the Management Board and Supervisory Board. In case the Chairman of the Supervisory Board is not an independent member, the senior independent member shall be selected from independent members



who shall be responsible for avoiding and removing any concerns regarding the existing and potential conflicts of interests.

5. Every Shareholder holding at least 20% of the ordinary voting shares has the right to nominate a member of the Supervisory Board. Subject to the same exception, members may also be nominated by a group of Shareholders collectively holding at least 20% of the ordinary voting shares. Nominees require election to the Supervisory Board by the General Assembly of Shareholders pursuant to Article 20.1.1. The members are authorized to serve for a term of 3 years, or until such a lesser term as the General meeting of Shareholders may determine.
6. Any member of the Supervisory Board may be re-elected. However, their term of office ends, at the earliest, when a successor is elected. If a member of the Supervisory Board is removed from his/her office, a successor shall be elected prior to the subsequent meeting of the Supervisory Board. Every Shareholder or the Group of Shareholders holding the right to propose for nomination members of the Supervisory Board may request the removal of any of its nominees at any time, subject to the approval of the General Meeting of Shareholders, but shall nominate thereupon a new member of the Supervisory Board to fill any such position which shall become vacant in this manner. The new nominee must be elected to the Supervisory Board by the General Meeting of Shareholders as provided in Article 20.1.1.

#### Article 25

1. The Supervisory Board quorate in case the majority of its members are present or represented.
2. The Supervisory Board decides with the simple majority of the votes, except for the cases when under this Charter stipulates otherwise.
3. The Supervisory Board elects Chairman among its members by a simple majority of the votes. The Chairperson shall serve for the term he has been elected as a Supervisory Board member. The Chairperson of the Supervisory Board may be re-elected.

#### Article 26

1. By a three-quarters (3/4) majority of members attending or represented, the Supervisory Board:
  - 1.1. determines the business policy of the Bank and adopts and endorses the Policy Guidelines;
  - 1.2. approves the Annual Business Plan (including the annual operating budget) submitted by the Board of Directors.
2. By a simple majority of members attending or represented, the Supervisory Board:
  - 2.1. prepares recommendations for the General Meeting of Shareholders, executes the instructions of the General Meeting of Shareholders and, through its Chairman convenes the General Meetings of Shareholders in accordance with Article 22 hereof;
  - 2.2. discusses and approves reports on the business operations of the Bank submitted by the Board of Directors during the course of the financial year and prepares the annual report for submission to the General Meeting of Shareholders;

- 2.3. appoints and removes from office at any time at its discretion the Board of Directors, issues guidelines and instructions for the Board of Directors' activities, and determines the remuneration of the members of the Board of Directors;
- 2.4. in accordance with Article 11.2 of this Charter, decides on individual loans exceeding the equivalent of 10 % of the Bank's regulatory capital;
- 2.5. decides in principle on any type of refinancing of the Bank, whether by way of loans (except for the monetary operations aimed for the liquidity management of the Bank, concluded with the National Bank of Georgia, commercial banks or respective state/private entities), bond issues or otherwise, and accordingly instructs the Board of Directors to implement such decisions;
- 2.6. implements decisions taken at the Annual and Extraordinary General Meetings of Shareholders, instructs the Board of Directors as appropriate in the particular case;
- 2.7. approves transactions between the Bank and its administrators/related parties in accordance with the Bank's internal regulations, effective laws or this Charter.
- 2.8. performs other tasks provided for under effective laws of Georgia, and this Charter including establishing and maintaining of necessary committees within the Bank, as well as the tasks not subject to authorization by the General Meeting of Shareholders.

## Article 27

### General Powers and Responsibilities of the Supervisory Board

1. Supervisory Board members have fiduciary duties towards a Bank. The members of the Supervisory Board have a responsibility to act in good faith and take care of the Bank in the same way a conscientious and sane person would. Their decisions shall always be in the interests of the Bank's stability. They must work wisely and independently to ensure the selection and retention of competent directors, determine the Bank's strategic activities and monitor its performance accordingly. Each member of the Supervisory Board is jointly and severally liable to the Bank for any damage caused by their culpable failure to fulfil their duties.
2. Supervisory Board members are individually and jointly responsible for various functions, including the ones mentioned below:
  - a) Determine the Bank's values, vision, mission, organizational structure, and risk appetite, and ensure the Bank is managed with fairness, competence, professionalism, and ethics.
  - b) Identify the ethical standards and code of conduct enforced by the Bank. The role of the Management should be continuously evaluated to ensure that they establish and maintain a healthy corporate and ethical environment. This includes but is not limited to compliance with existing legislation, principles of ethics, and standards of professional conduct. Additionally, it is important to adhere to the current legislation on preventing money laundering and terrorist financing and the Bank's internal standards.
  - c) Regularly monitor the effectiveness and impartiality of the Bank's policies and procedures concerning its anonymous whistleblowing system. Additionally, the Management needs to report to

the Supervisory Board any significant issues raised by representatives from other branches of the Bank, who must be fully protected against possible harm and discrimination.

d) Take charge of the Bank's strategic planning process and closely monitor the Management's progress towards the goals.

e) Ensure that the Bank conducts its operations following all applicable laws and regulations set by the relevant authorities.

f) Determine the Bank's risk appetite through cooperation with the Risk Management Director (hereinafter the Risk Director) and other members of the Management. While developing the risk appetite, the competitive environment, supervisory views, and long-term interests of the Bank, all risk positions of the Bank shall be given due consideration. Effective risk management, monitoring and internal control functions must comply with the declared risk appetite, risk policy and limits.

g) Monitor the activities of the Management, assess their decisions, and take appropriate measures based on their assessment. If any shortcomings are identified during this assessment, the Supervisory Board shall plan and implement the necessary measures to address them. Additionally, the Supervisory Board shall ensure that it receives adequate information from the Management, including explanations and assurances that its activities are fully consistent with the strategy and risk appetite approved by the Supervisory Board. The Supervisory Board shall also ensure that the Bank's internal control mechanisms are effective.

h) Ensure that control functions are effective and independent, allowing for objective and independent decisions without external influence or potential external influence.

i) Ensure that the Bank implements and has effective management processes in place for maintaining business continuity when material risk takers leave the Bank. This involves, inter alia, developing appropriate strategies and procedures, as well as continuously assessing and developing the Bank's employees and searching for potential candidates.

j) Monitor transactions with related parties and ensure that the Bank has appropriate policies and procedures in place.

k) Monitor and periodically evaluate the effectiveness of the organizational and governance structure. Take appropriate measures to eliminate identified deficiencies.

l) Ensure that employees promote risk culture best practices, effective communication, constructive discussion and accountability.

m) Approve the Management's remuneration policy and control functions.

n) Ensure that the Bank's strategy covers all issues appropriately and monitor their effective implementation. This includes consideration and evaluation of the potential environmental and social effects of the Bank's operations along with the financial performance of the Bank. To perform this function, the Supervisory Board shall have sufficient knowledge and obtain relevant information about ESG issues. The Bank's Supervisory Board reviews the Bank's remuneration policy regularly and ensures its compliance with international and supervisory standards, as well as the Bank's strategy, objectives, corporate culture and long-term goals.

3. The Supervisory Board takes an active role in corporate governance matters and carries out its functions and duties based on ethical principles and standards of conduct. The Board ensures that the Bank's reputational risks are evaluated and that all decisions comply with applicable legislation and internal standards.

4. The Supervisory Board shall meet regularly with the Management and control functions to review policies and controls, and to identify significant risks, issues and areas requiring improvement.
5. The Supervisory Board is responsible for overseeing committees that are not mandatory considering the Bank's scale and complexity.

#### Article 28

The Supervisory Board shall meet at least once per quarter. The Chairman of the Supervisory Board shall convene the meetings of the Supervisory Board by giving at least 10 working days prior written notice, determine the agenda of such meetings and chair such meetings. Notice period for the meetings may be shorter, but in any event not less than 8 days, in urgent circumstances.

#### Article 29

1. A meeting of the Supervisory Board shall have a quorum if present or represented (including in cases of emergency - as decided by its Chairman - by telephone) by at least two-thirds of the members of the Supervisory Board. Unless otherwise provided in this Charter, resolutions passed at meetings of the Supervisory Board must be passed by a majority vote of the members present. The Supervisory Board may take decisions without a meeting if its members unanimously consent in writing to the issue at question. The decisions shall be signed by the Chairperson of the Supervisory Board.
2. In case one of the members of the Supervisory Board is unable to attend a Supervisory Board meeting, he/she may assign his/her vote to another member of the Supervisory Board in the manner prescribed by law, including based on a power of attorney.
3. A written record of all resolutions adopted by the Supervisory Board, and, insofar as deemed necessary by the majority of the members of the Supervisory Board present at the relevant meeting the substance of all discussions at meetings of the Supervisory Board shall be compiled by either representatives of the Bank or any of the members of the Supervisory Board, and this record shall be reviewed and signed by the Chairman of the Supervisory Board.
4. The records from the meetings of the Supervisory Board shall be available for inspection to each member of the Supervisory Board and confirmed (or, if necessary, amended by resolution with a majority of the members of the Supervisory Board present at such meeting) on the first following meeting of the Supervisory Board.
5. The minutes of the meetings shall be available for inspection by any Shareholder, any member of the Supervisory Board or his representative at the legal address of the Bank or in any other location determined by the Supervisory Board.

#### Article 30

1. Members of the Supervisory Board are not entitled to receive a meeting attendance fee.
2. The Bank shall fully indemnify and hold harmless any member or former member of the Supervisory Board for any loss, claim, liability or expense incurred by reason of the fact that he or she is or was a

member thereof, save for such member's gross negligence or willful misconduct, or if such member or former member is finally adjudged by a court to be liable to the Bank.

#### V.5. Committees

##### Article 31

1. Audit and risk committees shall be formed from members of the Supervisory Board and shall consist of at least three members. The majority of the committee shall be made up of independent members, and the chairman of the committee shall also be an independent member, who cannot serve as the Chairman of the Supervisory Board and/or any other committee. The members of the audit and risk committees are appointed by the Supervisory Board for a term of three years, or a shorter period if determined by the Supervisory Board, and they are eligible for re-election. Members shall be selected for the committees based on the adequate knowledge and skills of the individuals. Each committee within the Bank operates under a corresponding statute that outlines its mandate, scope of activity, and procedures.
2. The audit and risk committees meet at least once every quarter, or more frequently as needed. The meetings typically take place at the location of the Bank's operations.
3. To make a quorum for a committee, all the members must be formally invited to the meeting. In addition, the presence of at least two members, either physically or through representation, is mandatory. In some exceptional cases, members can participate in the work of the meeting through telephone, videoconference or email. The decisions of the committees shall be made by a majority of the votes represented and abstentions shall not be accepted.

##### Article 32 - Audit Committee

1. The members of the Audit Committee act autonomously and are not subordinate to or influenced in the performance of their duties by members of the Bank's executive staff or members of the Board of Directors. The Audit Committee periodically reports to the Annual General Meeting of Shareholders and the Supervisory Board of the Bank on its activities.

##### Article 33

The Audit Committee's primary duties and responsibilities are to:

1. Serve as an independent and objective party to monitor the Bank's risk management processes and internal control systems.
2. Support the external auditors in their activity.
3. Supervise the work of the Internal Audit Department.
4. Oversee the observance of accounting rules and controls established by ProCredit Holding through the banks' Internal Audit Department.
5. Monitor the process and approve financial report subject to publishing.

6. In order to obtain information needed to perform internal control functions, members of the Audit Committee may have access to any and all business documents. Employees are obligated to provide all accounting and other documents and information to any member of the Audit Committee which such member requests to see.

#### Article 34 - Risk Committee

1. The Risk Committee has a number of obligations and responsibilities, which include:

- a) Examining both individual and aggregated risk strategies and providing relevant recommendations to the Supervisory Board including about the Bank's current and future risk appetite.
- b) Preparing and submitting a report to the Supervisory Board on the Bank's current risk culture, and reviewing the Bank's risk policies at least once per year.
- c) Monitoring the Management to ensure that the Bank's activities comply with the Board's risk policies by following proper procedures.
- d) Cooperating with and monitoring the activities of the Risk Director.
- e) Making recommendations to the Supervisory Board regarding the effectiveness of the Bank's risk strategies and policies, including maintaining and distributing sufficient capital for identified risks.
- f) Monitoring capital and liquidity management strategies, as well as all types of risks (credit, market, operational, and reputational) to ensure that they comply with the Bank's risk appetite.
- g) Making recommendations regarding the appointment of an external consultant to whom the Supervisory Board or its committees may refer for consultation or advice.
- h) Examining various possible scenarios, including stress scenarios, to assess the impact of external and internal events on the Bank's risk profile.
- i) Monitoring compliance of material financial products and services offered to clients, including their prices, with the organization's business model and risk strategy. The Risk Committee is responsible for evaluating the risks related to the offered financial products and services, and ensuring that their prices align with the profit obtained from them.
- j) Evaluating the recommendations of the internal and external auditor, and in cooperation with the Audit Committee, monitoring the implementation of relevant measures.
- k) Monitoring the Pillar 3 reporting process, including reporting on ESG issues, and approving the annual Pillar 3 reporting to be published, if this is a function of the Risk Committee following the Bank's internal policy.

2. The Risk Committee has the responsibility of presenting relevant recommendations and opinions to the Board regarding the current and future risk appetite of the Bank. Moreover, the Risk Committee is required to report to the Board at least once a year about the identified material risks and other issues, including the structure, effective functioning, continuity of risk management and internal control systems, and the overall risk culture in the Bank.

3. The Committee shall regularly receive relevant reports from the Risk Director and other relevant functions regarding the Bank's current risk profile, risk culture, stated risk appetite, relevant activities, limits, limit violations, and mitigation plans.

4. Effective communication and coordination between the Risk and Audit Committees is essential. This includes exchanging information, identifying all types of risks (including newly identified risks), and making any necessary adjustments to the Bank's risk management framework.
5. The Risk Committee must be able to meet independently with Management, risk and control staff and other internal or external parties for the effective performance of its functions.
6. The Risk Committee is responsible for working closely with the Risk Director to ensure that the Bank's risk management system is effective and proportional to the nature, scale, and complexity of the Bank's risks. In addition, the Risk Committee is also required to invite the Risk Director to all meetings.

## V.6. Board of Directors

### Article 35

In accordance with the business strategy determined by the Supervisory Board, the Board of Directors runs and organizes the day-to-day business operations of the Bank. The management of the commercial bank, based on the prior written approval of the Bank's Supervisory Board, has the right to delegate its powers to others in whole or in part in each case.

### Article 36

1. In co-operation with the other bodies of the Bank, the Board of Directors shall ensure the maintenance of the Bank's solvency and liquidity, and it shall also ensure that all measures required for this purpose are taken.
2. The Board of Directors has the following further tasks:

2.1 It is obligated to report to the Audit Committee and the Supervisory Board of the Bank. It prepares the Annual Business Plans;

2.2 It ensures to hold an Annual Meeting of Shareholders at least once a year, but no later than 6 months after drawing up the annual balance sheet;

2.3 It appoints and discharges staff members and determines the amount of their remuneration;

2.4 It reports in accordance with the requirements as set from time to time by the Supervisory Board;

2.5 It prepares the annual financial statements and the annual reports for the consideration of the Supervisory Board and submission to the General Assembly of Shareholders;

2.6 It prepares special reports at the request of the Chairman of the Supervisory Board;

2.7 It (or any of its members) shall attend the meetings of the Supervisory Board if invited by the Supervisory Board;

2.8 It performs all other tasks which it is instructed to carry out by the Supervisory Board, ensuring that, in doing so, all relevant requirements of Georgian law and this Charter are met;

2.9 It conducts the Bank's day-to-day business operations in accordance with the business policy as determined by the Supervisory Board;

2.10 It decides on individual and joint authorities of officers of the Bank to grant credits, and decides on the establishment and competences of one or more credit committees within the Bank, if such credit committees are deemed necessary from time to time;

2.11 It prepares and submits to the Supervisory Board suggestions regarding changes to this Charter and to other rules and regulations applicable within the Bank;

2.12 It provides information to the National Bank of Georgia on the development of the Bank's business in accordance with applicable Georgian law;

2.13 It carries out other activities in accordance with the Bank's organizational structure and applicable Georgian law;

3. The powers of the Board of Directors may be modified or limited by a resolution of the Supervisory Board, except that the Supervisory Board shall in no event be empowered or deemed to manage the Bank.

#### Article 37

The Board of Directors shall take any decisions by the simple majority of votes.

#### Article 38

1. The Supervisory Board at its discretion appoints and at any time dismisses the General Director as well as other members of the Board of Directors.
2. Any member of the Board of Directors shall be appointed for a maximum term of 3 years or until such lesser term as may be determined by the Supervisory Board. Any member of the Board of Directors may be re-appointed.

#### Article 39

1. Any of the Board or Directors' members is responsible for ensuring that the business operations of the Bank are conducted in the proper manner and in accordance with the law.
2. The Board of Directors is obligated to inform the responsible bodies of the Bank if their decisions are violating Georgian laws, this Charter, or other regulations of the Bank.

#### Article 40

The Board of Directors is obligated to inform the Supervisory Board of the consequences of their decisions if these decisions jeopardize the financial stability of the Bank.

#### Article 41

1. The members of the Board of Directors are empowered to grant authority to the Bank staff to carry out certain tasks for the purposes of distribution of responsibility, insofar as this is permitted by applicable Georgian law.
2. The Board of Directors, in certain cases, with the prior written consent of the Supervisory Board, is authorized to delegate its authorities in full or in part.

### Part VI



## **Representation of the Bank**

### **Article 42**

The Bank is jointly represented by any two members of the Board of Directors.

### **Article 43**

The Board of Directors may grant certain employees of the Bank general power of attorney (full signing authority) or as the case may be, limited powers of representation.

### **Article 44**

The Bank is obliged to disclose the names of the specific persons who have been granted full signing authority and limited powers of representation in its dealings with parties, and also to disclose the names of the specific persons who are authorized to sign within the Bank, in accordance with applicable Georgian law.

## **Part VII**

### **Final Provisions**

### **Article 45**

This Charter shall take effect following unanimous approval by the General Meeting of Shareholders.

Signed by:

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Annex 2 SOCIAL AND ENVIRONMENTAL EXCLUSION LIST**The following activities shall not be financed:**

- a) Production or activities involving harmful or exploitative forms of forced labor/harmful child labour<sup>i</sup>, discriminatory practices, or practices which prevent employees from lawfully exercising their rights of association and collective bargaining;
- b) Production or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations or international conventions and agreements, including without limitation, legislation or conventions relating to the protection of biodiversity resources<sup>ii</sup> or cultural heritage;
- c) Production or trade in weapons and munitions;
- d) Production or trade in alcoholic beverages (excluding beer and wine);
- e) Major production or trade in tobacco<sup>iii</sup>
- f) Gambling, casinos and equivalent enterprises;
- g) Trade in wildlife or wildlife products regulated under CITES<sup>iv</sup>;
- h) Production or trade in radioactive materials including storage and treatment of radioactive wastes;
- i) Production or trade in or use of unbonded asbestos fibers or asbestos-containing products<sup>v</sup>;
- j) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest;
- k) Production or trade in products containing polychlorinated biphenyls<sup>vi</sup>;
- l) Production or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans<sup>vii</sup>;
- m) Production or trade in ozone depleting substances subject to international phase out<sup>viii</sup>;
- n) Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- o) Shipment of oil or other hazardous substances in tankers which do not comply with International Maritime Organization (IMO) requirements<sup>ix</sup>;
- p) Business or activities relating to the nuclear industry or nuclear materials;
- q) Release of genetically modified organisms into the natural environment, and trade in genetically modified organisms to be released into the environment;
- r) Activities within, adjacent to, or upstream of land occupied by indigenous peoples and/or vulnerable groups, such as lands and watercourses used for subsistence activities such as livestock grazing, hunting or fishing;
- s) Activities within, adjacent to, or upstream of designated protected areas under national law or international conventions, sites of scientific interest, habitats of rare/endangered species, and primary/old growth forests of ecological significance<sup>x</sup>;
- t) Activities which may affect adversely sites of cultural or archaeological significance;
- u) Activities involving involuntary resettlement;
- v) Transboundary movements of waste prohibited under international law<sup>xi</sup>;
- w) Construction of mini-hydro cascades;
- x) Any business for which the primary business activity is related to pornography or prostitution.

i Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty. Harmful child labour means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development. For further guidance refer to: IFC (see IFC/MIGA Joint Policy Statement on Forced Labour and Harmful Child Labour); the ILO Declaration on Fundamental Principles and Rights at Work, and the principles enshrined in the following conventions: ILO conventions 29 and 105 (forced and bonded labour), 87 (freedom of association), 98 (right to collective bargaining), 100 and 111 (discrimination); 138 (minimum age); 182 (worst forms of child labour); Universal Declaration of Human Rights.

ii Relevant international biodiversity conventions include, without limitation: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; Convention on Biological Diversity.

iii This does not apply to clients/ enterprises who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a client's primary operations.

iv CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from IFC or EBRD.

v This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

vi Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

vii A list of products that are subject to phase outs or bans is available from IFC or EBRD. Reference documents include EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

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- viii Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from IFC or EBRD.
  - ix This includes: tankers which do not have all required MARPOL SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under regulations 13G and 13H of Annex I of MARPOL. No single hull tanker over 25 years old should be used.
  - x Principal reference documents are the IUCN Guidelines on Protected Areas.
  - xi Reference documents are: Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations; Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal.