


APPROVED BY
ARARATBANK OJSC
Board of Directors Resolution No. 48/01L
from October 1, 2024
Board Chairman
Grigor Hovhannisyan_____



**CODE
OF
CORPORATE GOVERNANCE**

Effective since October 1, 2024

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SECTION I. PURPOSE, SCOPE OF APPLICABILITY, RELATED DOCUMENTS AND DEFINITIONS

CHAPTER 1: PURPOSE


1. The Code of Corporate Governance of ARARATBANK OJSC shall define the goals, principles and rules of corporate governance in ARARATBANK OJSC.
2. Throughout its history, the Bank has been and will continue to be closely guided by the genuine sense of responsibility to the society, state, and environmental protection agenda.
3. The Bank plays an important role in the economy by attracting funds from savers and depositors to be disbursed to businesses and individuals that support and promote the economic growth of the state.
4. The safety and security of the Bank are essential to financial stability, and it is therefore important for effective corporate governance frameworks to exist within the Bank for ensuring the country's continued stable economic development.
5. The Bank believes that the best method of good governance relevant to the Bank's goals is the corporate governance, which ensures a clear distribution of functions and decision-making powers among the Bank's governing bodies.

CHAPTER 2: SCOPE OF APPLICABILITY

6. The requirements of the Code of Corporate Governance shall apply to employees of ARARATBANK OJSC involved in corporate governance processes.

CHAPTER 3: RELATED DOCUMENTS

7. The Code of Corporate Governance shall pertain to the following documents:
 - 1) RA Law on Banks and Banking,
 - 2) RA Law on Joint Stock Companies,
 - 3) ARARATBANK Open Joint Stock Company's Meeting Regulations, approved by Resolution No. 01/02L of the Extraordinary General Meeting of Shareholders of ARARATBANK OJSC from September 22, 2022,

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- 4) ARARATBANK OJSC Board of Directors' Code, approved by the Board's Resolution No. 15/10L from November 26, 2015,
- 5) ARARATBANK OJSC Executive Board's Code, approved by Resolution No. 16/01L-H from April 15, 2021,
- 6) Procedure for Elaborating and Approving Draft Legal Acts, approved by ARARATBANK OJSC Board Resolution No.02/01L-H from January 14, 2021,
- 7) Procedure for Classification and Identification of the Bank's Information Assets, approved by ARARATBANK OJSC Board Resolution No. 27/03L-H from July 10, 2019,
- 8) ISO/IEC 27001 Information technology - Security techniques - Information security management systems – Requirements.

CHAPTER 4: DEFINITIONS AND ABBREVIATIONS


8. Main concepts used in the Code of Corporate Governance are as follows:

- 1) **the Bank:** ARARATBANK OJSC,
- 2) **the Code:** Code of Corporate Governance of the Bank,
- 3) **Corporate Governance:**
 - a. the system by which the Bank is directed and controlled,
 - b. an important element in improving economic efficiency and growth, as well as strengthening investor confidence,
 - c. the entire set of relations between the Bank's Executive Body, the Board, shareholders and other stakeholders,
 - d. corporate governance shall also set principles and tools that define the Bank's goals and ways to achieve them, as well as to control the activities,
- 4) **the Meeting:** General Shareholders' Meeting,
- 5) **the Board:** Board of Directors of the Bank,
- 6) **the Executive Body:** Executive Board and/or Chief Executive Officer of the Bank.

CHAPTER 5: AMENDMENTS AND SUPPLEMENTS

9. Edition 01:

CHAPTER 6: ANNEXES

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10. There are no annexes to the Code.

SECTION II. DESCRIPTION

CHAPTER I. GENERAL PROVISIONS

11. The Bank's corporate governance framework shall clearly define the roles and responsibilities of the Board and the Executive Body in:

- 1) developing the Bank's strategy,
- 2) recruiting and managing the staff,
- 3) performing the Bank's business processes,
- 4) protecting shareholders', stakeholders' and the Bank's interests,
- 5) creating law compliance and oversight mechanisms.

CHAPTER 2: PRINCIPLES AND RULES FOR CORPORATE GOVERNANCE

12. The provisions set forth in the Code shall apply to:

- 1) shareholders of the Bank,
- 2) the Board,
- 3) the Executive Body,
- 4) risk management function,
- 5) remuneration,
- 6) information disclosure and transparency.

13. The Bank's governing bodies, in the exercise of their functions, shall be guided by the following principles:

- 1) The shareholder's right to participate in the Bank's governance process:

The Bank, as a single whole, shall be obliged to ensure fairness and equity in the treatment of all shareholders of the same class, enabling them to effectively exercise their right to participate in the governance of the Bank, to vote, to form and uphold a sound judgement on matters put on the Meeting's agenda,

2) The shareholder's right to nominate candidates to the Board:

The Bank's corporate governance system shall promote the effective participation of the shareholder in the process of nomination and selection of candidates to the Board,

3) Board Remuneration Policy:

Shareholders shall be given an opportunity to express their opinions on the remuneration of the Board members, including through voting at the Meeting,

4) The shareholder's right to receive a dividend:

The Bank's corporate governance system shall provide shareholders with equal and fair opportunities for profit participation through dividends,

5) Equal treatment for shareholders of the same class,

6) Responsibilities of a majority shareholder:


The corporate governance system of the Bank shall protect minority shareholders from abuse by majority shareholders or shareholders with a controlling interest,

7) The Bank shall be guided by an effective and constructive Board, which will be able to play its role of contributing to the long-term sustainable success of the Bank, creating value for shareholders and providing support to the Bank's beneficiaries,

8) "Tone at the top" principle:

The Board shall establish corporate values that create expectations for running the entire business based on legitimate ethical considerations and overseeing the observance of those values by senior top management and other employees through:

- a. raising risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees shall be obliged to assist the Bank in operating within the defined risk appetite and risk limits,
- b. confirming that appropriate steps have been or are being taken to ensure that the corporate values, professional standards or rules of conduct set

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by the Board and related documents are fully communicated within the Bank,

c. confirming that employees, including senior top management, are aware that unacceptable behavior and misconduct will be followed by respective disciplinary or other action:

9) Transparent formation of the Board and its professionalism,

10) Proper risk management:

The internal control and risk management system of the Bank shall ensure an objective and fair overview of the Bank's current and prospective situation and facilitate informed and reasonable decision-making in the Bank,

11) Organization of the work of the Internal Audit Department, Compliance Assurance Group and Risk Management Department, allowing for their unhindered and transparent activities.

CHAPTER 3: BOARD MEMBER RESPONSIBILITIES

14. Board members are expected to have complementary competencies, education, expertise and possess the knowledge relevant to the implementation of the Bank's strategy. The Bank shall ensure the diversity and independence of the composition of the Board membership to ensure the effectiveness of the Board's activities and objective and balanced decision-making.


15. Board members shall adequately discuss and outline the Bank's strategy and key development directions. The Board shall be provided with a suitable environment for the discussion of strategies.

16. Board members shall act in a fully informed and faithful manner, reasonably and in good faith in the best interests of the Bank and shareholders and in view of the interests and expectations of the Bank's stakeholders.

17. The Board's ethical commitment:

The Board shall adhere to high ethical standards as a means of building confidence in the Bank and managing its corporate reputation.

18. Rights of Board members to receive information and professional counselling:

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For proper execution of duties, Board members shall be provided with access to up-to-date and reliable information, as well as professional counselling.

CHAPTER 4: PERFORMANCE EVALUATION AND REMUNERATION

Board performance evaluation and remuneration principle:

19. Official evaluation of the activities of the Chairman and members of the Board, as well as of the committees adjunct to the Board shall be implemented and published on an annual basis. Each member of the Board shall also undertake an annual self-evaluation and shall report on their annual work results.

Executive Body performance evaluation and remuneration principle:


20. On an annual basis, the Board shall evaluate the performance of the Executive Body - both of individual members of the executive team and of the Executive Board as a collegial body - with due regard to the professional competence of its members and their ability to cooperate with each other and manage the human resources and risks inherent in the Bank's operation.

Remuneration proportionality principle:

21. The Board shall approve the remuneration of employees afforded by the RA legislation and shall oversee the development and deployment of the remuneration policy, systems and related control processes. The amount of remuneration shall be individualized and shall in particular be based on "high-risk-high-reward" and "low-risk-low-reward" approach.

CHAPTER 5: THE BANK'S INFORMATION AND PUBLIC AWARENESS POLICY

22. The Bank's corporate governance system shall ensure the Bank's transparency, including the timely disclosure of credible and relevant information on its financial condition, results of operations, the Bank's social, environmental, ethical impact, ownership and management structures, and other essential issues.

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- 23. The Bank's transparency is necessary for making informed decisions regarding the Bank by its shareholders, other stakeholders and the general public.
- 24. The Bank's accountability and transparency of activities:
- 25. Disclosure of information by the Bank shall include, but not be limited to, the publication of annual statements.
- 26. The Bank shall ensure timely publication of the information subject to disclosure on its official website.

CHAPTER 6: EXTERNAL AUDIT

- 27. The Bank shall be subject to external audits to provide an external and objective confirmation to the Board, the Bank's shareholders and other stakeholders that the Bank's financial statements present fairly, in all material respects, its financial position and results of its operations.
- 28. The external auditor shall be accountable to shareholders and shall exercise due professional care in the performance of the audit.

SECTION III. RESPONSIBILITY FOR INFRINGING THE REQUIREMENTS OF THE POLICY, FINAL PROVISIONS

CHAPTER 1: RESPONSIBILITY FOR INFRINGING THE REQUIREMENTS OF THE POLICY

- 29. The Bank employees involved in the processes set out in the Code shall be held personally liable for inaccurate and improper implementation of job responsibilities assigned to each of them under the Code, the internal legal acts of the Bank, employment contracts and financial liability agreements.

CHAPTER 2: FINAL PROVISIONS

- 30. The Staff of the Bank shall control and the Internal Audit Department shall supervise the implementation of the requirements of the Code.