

APPROVED BY
ARARATBANK OJSC

Board of Directors Resolution No. 54/L
from November 27, 2024

Board Chairman

Grigor Hovhannisyan _____



BOARD AUDIT COMMITTEE CHARTER

Effective since November 27, 2024

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PREFACE

The ARARATBANK OJSC Board Audit Committee Charter (hereinafter the Charter) shall define the procedure for the establishment of the Audit Committee (hereinafter the Committee) of ARARATBANK OJSC (hereinafter the Bank), the requirements for its membership, the procedure for convening and participating in its meetings, the activities and fields of responsibility assigned to the Committee, and the scope of responsibility of the Committee Chair (hereinafter the Chairman).

The Charter shall be duly applied and respected by all managers and employees of the Bank involved in the exercise of functions of the Bank's Board of Directors (hereinafter the Board) and the Committee.

CHAPTER 1. GENERAL PROVISIONS

1. The Board of the Bank has delegated to the Committee the function of independent oversight of financial reporting, internal control, legislative and regulatory compliance, risk management and external and internal audit processes of the Bank. The primary purpose of the Committee is to assist the Board in performing its fiduciary duties, including but not limited to the assessment of the following:
 - 1) the integrity of financial statements, formal announcements, and disclosures relating to financial performance,
 - 2) the effectiveness of Internal Audit function and the external auditor,
 - 3) the effectiveness of internal control systems over financial reporting,
 - 4) such other matters as may be referred to it by the Board of the Bank.

CHAPTER 2. MEMBERSHIP

2. The Committee (including the Chair) shall consist of three Board members, at least one of whom shall be an independent member of the Board. The posts of the Chair of the Board and Chair of the Committee may not be held by the same person.
3. At least one member of the Committee should have sufficient work experience in the financial sector.
4. The Commission, as a single whole, should possess sufficient knowledge in the financial services industry.
5. The Chair shall be appointed by the Board from among independent members of the Board.

CHAPTER 3. ATTENDANCE IN THE MEETINGS OF THE COMMITTEE

6. Only members have the right to attend Committee meetings .
7. To assist in the implementation of its functions, the Committee may, from time to time, invite any member of the Board, member of the Executive Body, independent auditor or any other person deemed appropriate by the Committee to the meeting(s) of the Committee.
8. Members may participate in Committee meetings in person or via phone/video calls.
9. The Committee shall have separate meetings with the external auditor and the Head of Internal Audit Department of the Bank at least twice a year, outside the presence of the Executive Body.

CHAPTER 4. COMMITTEE MEETINGS AND QUORUM

10. Meetings of the Committee shall be convened by giving 3 business days' notice prior to the meeting, at a frequency and within the time limits determined by the Committee.
11. A quorum for meetings shall be constituted by two members, including the Chair. In the event of an equal split among votes, the Chair shall have the casting vote.
12. The Secretary of the Committee shall be appointed by the Board.

CHAPTER 5. RESPONSIBILITY OF THE COMMITTEE CHAIR

13. The Chair's functions shall include:
 - 1) promoting open, inclusive and, if appropriate, complex discussions,
 - 2) ensuring the availability of the information required by the Committee to perform its duties and sufficiently focus on matters under its guardianship,
 - 3) coordinating the management of the Committee, assisting to the Committee in overseeing decisions of the Executive Body of the Bank,
 - 4) ensuring the independence of the Internal Audit Department and monitoring its performance indicators,
 - 5) reporting to the Board on Committee activities.

CHAPTER 6. AREAS OF RESPONSIBILITY OF THE COMMITTEE

14. The Committee responsibilities shall include:
 - 1) **Financial Reporting:**
 - a. monitor and critically assess the integrity of the Bank's financial statements, and

- any formal announcements and supplementary regulatory information relating to the Bank's financial performance,
- b. review and report to the Board significant accounting policies and disclosure practices,
 - c. review and report to the Board significant accounting estimates and adjustments,
 - d. review the Bank's going concern assumptions and viability statement (jointly with the Risk Management Committee) and providing confirmation to the Board on the Bank's profitability,
 - e. review the Bank's compliance with financial reporting standards, securities listing rules and other relevant requirements for financial reporting,
 - f. review disclosures that describe the work of the Committee and areas of special interest,
 - g. review clarifications, circulars, proposals and recommendations made by the Central Bank of Armenia,
 - h. review mechanisms implemented by the Bank's Executive Body to ensure compliance with applicable legislative and regulatory acts and best practice requirements on financial accountability, including requirements and recommendations made by the national regulator,
 - i. review matters as advised by the Internal Audit Department, other function and the external auditor,
 - j. review any significant or unusual issues which the external auditor deems appropriate to highlight in the annual report,
 - i. review the adequacy of resources, expertise and succession planning related to the Finance Function,
 - ii. advise the Board on whether the annual report and financial statements are generally presented in a fair, balanced and understandable manner, and whether they contain information required for shareholders to assess the Bank's financial position, level of performance, business model and strategy,
 - iii. report to the Board on the Bank's compliance with applicable corporate governance codes or standards in relation to financial reporting,
 - iv. provide assurances to the Board on the Bank's compliance with legal regulations related to financial reporting.

2) Internal Audit:

- a. review and pre-approve the Internal Audit Charter of the Bank,
- b. oversee the work of the Internal Audit Department, as well as give pre-approve the appointment or removal of the Head and members of the Internal Audit Department,
- c. monitor and assess the effectiveness (including through an external review at least once every 5 years), performance, resources, independence and standing thereof of the Internal Audit Department,
- d. consider major significant findings of Internal Audit and responses of the Executive Body,
- e. pre-approve the budget and annual work plan of the Internal Audit Department (including significant work plan changes during the year),
- f. satisfy itself that the Internal Audit work plan is aligned to the key risks of the business ,
- g. satisfy itself that there is appropriate co-ordination between the Internal Audit and the external auditor.

3) External Audit:

- a. apply the Bank's policy (including Corporate Governance) requirements as appropriate, including holding a tender and submit recommendations to the Board on the appointment, reassignment or dismissal of the external auditor to be submitted by the latter for the approval of the Annual General Meeting of Shareholders, as well as pre-approve remuneration, scope and terms of engagement of the external auditor,
- b. oversee the implementation by the Executive Body of the policy for provision of non-audit services by the external auditor as required by the regulatory requirements,
- c. pre-approve the provision of any non-audit services by the external auditor, inter alia:
 - considering the impact of performance of such services on the external auditor's independence,
 - taking into account the requirements of relevant regulations and related ethical guidelines in effect,
 - agreeing with the external auditor on the scope and terms of services,

- agreeing with the external auditor on the fees for such services, as well as informing the Board of the need for any action or improvement,
- d. review and monitor the external auditor's independence, objectivity, quality and effectiveness of audit in compliance with relevant professional, regulatory and other requirements,
- e. oversee the rotation of audit partner/external auditors,
- f. review the external auditor's report on the audit progress, the management letter, any substantial issues submitted by the external auditor to the Bank's management and their responses. Material risks or internal control issues (other than issues related to internal control over financial reporting) shall be referred to the Risk Management Committee of the Bank, as appropriate,
- g. discuss with the external auditor the approach, nature and scope of the audit work and reporting responsibilities in the audit process, including:
 - any significant accounting and auditing problems and reservations,
 - major judgment areas,
 - alternative accounting treatments together with potential ramifications,
 - any significant accounting adjustments,
 - going concern assumptions and viability statement,
 - compliance with financial reporting standards, stock exchange rules and legal requirements,
 - reclassifications or proposed additional disclosures,
 - any material changes in the accounting policies and practices, any communications provided by the external auditor to the Bank's management, or any other matters that the external auditor may wish to discuss,
- h. oversee the implementation by the Executive Body of the Bank's policy on the employment of the external auditor's former employees and service providers (contractors),

4) **Internal Controls:**

- a. review the effectiveness of internal financial control (systems that identify, assess, manage and monitor financial risks) of the Bank and its subsidiary bodies,
- b. consider any findings of major investigations of internal control over financial reporting matters, the management's responses, and internal or external audit findings,

- c. review all significant deficiencies and material weaknesses in the design and operation of internal controls over financial reporting (including annual reports submitted by the Bank's Executive Body and the Chief Accountant to the Committee and the external auditor and other reports required by applicable laws and regulations) that could adversely affect the Bank's ability to record and report financial data and any fraud, whether material or not, that involves Bank's Executive Body or other employees who have significant role in the Bank's internal financial controls,
- d. review and endorse the internal financial control statement included in the annual report to be submitted to the Board.

CHAPTER 7. OPERATION OF THE COMMITTEE

15. *The Committee:*

- 1) shall annually review the Charter and its own effectiveness, as well as the quality of the information received, and recommend any necessary changes,
- 2) shall report to the Board on the scope of issues defined by the Charter and the proper performance of duties by the Committee, and submit recommendations on appropriate actions required to respond to identified challenges or bring about improvements,
- 3) shall receive, at its discretion, any information or documentation from the Executive Body or employees of the Bank,
- 4) shall be kept properly and timely notified on issues under the scope of its competence and provided with accurate and relevant information by the Executive Body of the Bank,
- 5) may engage special consultants, experts or other advisors and may draw on any resource (including staff) that it may deem appropriate,
- 6) shall comply with the existing RA legislation and requirements of the national regulator.

CHAPTER 8. TRANSITIONAL PROVISIONS

16. The present edition of the Charter shall enter into force on November 27, 2024.