

**AUDIT COMMITTEE STATUTE**  
**of**  
**THE SUPERVISORY BOARD of**  
**GEORGIAN STATE ELECTROSYSTEM JSC**

**Authority and Purpose**

The Audit Committee (the “**Committee**”) of the Supervisory Board (the “**Supervisory Board**”) of **Georgian State Electrosystem JSC**, a joint stock company registered and existing under the laws of Georgia (the “**Company**”), is established pursuant to the resolution of the Supervisory Board dated 27 July 2021.

The primary purpose of the Committee is to assist with the Supervisory Board’s oversight of (1) the integrity of the financial reporting of the Company, (2) the independence, qualifications and performance of the Company’s external independent auditor and the performance of the internal auditors and (3) the Company’s compliance with legal and regulatory requirements. The Committee also prepares the disclosure required by applicable laws and regulations.

Pursuant to, and in accordance with, the Committee’s purpose as set forth above, and duties and responsibilities as set forth below, the Committee is granted the authority to oversee any financial or audit related item or activity of the Company and all employees are directed to cooperate as requested by the members of the Committee. The Committee shall have the authority to retain, at the Company’s expense, and approve the fees and other retention terms of, special legal, accounting or other consultants or experts, as it deems necessary in the performance of its duties and responsibilities. The Company shall also provide appropriate funding, as determined by the Committee, for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

**Limitations**

While the Committee has the duties and responsibilities set forth in this Audit Committee Statute (the “**Statute**”), it is not the duty or responsibility of the Committee to conduct audits or to determine whether the Company’s accounting policies and procedures are adequate or complete, which is the responsibility of members of the Company’s Board of Directors headed by the General Director (“**Board of Directors**”). It is also the responsibility of the Board of Directors (and not the Committee) to assure the Company’s compliance with applicable laws, regulations and corporate policies.

## **Composition**

The Committee shall be comprised of at least three members of the Supervisory Board, all of whom shall be independent as provided under the Corporate Governance Code of the Company.

The Supervisory Board shall appoint members of the Committee, including the Chairperson of the Committee (the “**Chairperson**”), which members shall serve until their respective successors are duly elected and qualified, or until such member’s earlier resignation or removal. The Supervisory Board shall have the power to remove any member of the Committee, with or without cause. In order to properly and effectively discharge their duties and responsibilities, each member of the Committee must be financially literate, qualified and competent with adequate technical expertise.

## **Duties and Responsibilities**

The Committee shall be empowered, in accordance with its judgment and pursuant to its authority and purpose, with the following duties and responsibilities (which, unless otherwise specifically noted, shall be performed continuously, periodically, intermittently and/or as otherwise directed or determined by the Chairperson or applicable law or regulation):

1. Review the annual audited financial statements with management and the independent auditor, including significant issues and judgments regarding accounting and auditing principles and practices, and the effect of regulatory and accounting initiatives on the Company’s financial statements. The review of the annual audited financial statements also includes a review of any transactions as to which management obtained a letter from the auditor.
2. Review, upon completion of the audit, the financial statements proposed to be filed with the Service for Accounting, Reporting and Auditing Supervision of the Ministry of Finance of Georgia.
3. Review and discuss with management and the independent auditor the Company’s annual financial statements prior to filing with the Service for Accounting, Reporting and Auditing Supervision of the Ministry of Finance of Georgia.
4. Review major issues and changes to the Company’s auditing and accounting principles and practices and financial statement presentations as suggested by the independent auditor, internal auditors or management, and analyses setting forth significant financial reporting issues and judgments, including, and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
5. Maintain an oversight compliance function with regard to the implementation and performance of accounting and reporting processes at the Company and report to the Supervisory Board on recommended improvements.
6. Discuss the Company’s guidelines, policies and processes with respect to the Company’s financial controls and procedures, including discussions of major enterprise-level risk exposures that may affect the Company’s financial statements, operations, business continuity, reputation, and the reliability and security of the

- information technology and security systems owned by the Company or used in its business operations. Discuss the steps management has undertaken to monitor and control such exposures. Receive from the internal audit department ongoing assessments of the Company's risk management processes.
7. Be directly responsible, in its capacity as a committee of the Supervisory Board, for the oversight of the work of the independent auditor, including resolution of disagreements between the General Director, the Board of Directors and the independent auditor regarding financial reporting, subject to the provisions of applicable law relating to the fixing of the compensation of the independent auditor. The independent auditor will report directly to the Committee.
  8. Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor and establish policies and procedures for the engagement of the independent auditor to provide auditing and permitted non-audit services.
  9. Obtain and review, at least annually, a report by the independent auditor describing the independent auditor's internal quality-control procedures, and any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues, and all relationships between the independent auditor and the Company.
  10. Consider at least annually the qualifications, performance and independence of the independent auditor, and receive from and discuss with the independent auditor the auditor's report regarding its independence. Review the experience and qualifications of the lead partner each year and determine that applicable partner rotation requirements are executed. Also consider whether there should be rotation of the independent auditor itself. The Committee may recommend the shareholder to remove the independent auditor if circumstances warrant, based upon its review of the performance and independence of the independent auditor.
  11. Meet with the independent auditor prior to the audit to review the scope and planning of the audit.
  12. Review with the independent auditor the results of the annual audit examination, and any issues the auditor may have encountered in the course of its audit work and management's response. This review should include, among other things, any management letter, any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and a discussion of the responsibilities, budget and staffing of the Company's internal audit function.
  13. Discuss with the General Director and the Board of Directors, which has principal responsibility for the Company's financial statements and disclosures, the Company's financial information provided to analysts and rating agencies.
  14. Receive reports from the independent auditor and management regarding, and review the adequacy and effectiveness of, the Company's internal controls, including information technology and security systems relating to internal controls, as well as any significant deficiencies and material weaknesses in internal controls and material changes in such controls reported to the Committee by the independent auditor, the internal auditor or management, and any special audit steps adopted in light of any significant deficiencies or material weaknesses. Receive reports from management regarding, and review the adequacy and effectiveness of, the Company's disclosure controls and procedures.

15. Receive reports from the General Director and the Board of Directors regarding, and review compliance processes relating to, the Company's Code of Ethics and Conduct Policy, and Corporate Governance Code.
16. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
17. Review with the Company's chief legal officer/head of legal department and independent auditor (1) legal matters that may have a material impact on the financial statements, (2) any fraud involving management or other employees who have a significant role in the Company's internal controls, (3) compliance policies, and (4) any material reports or inquiries received from regulators, governmental agencies or employees that raise material issues regarding the Company's financial statements and accounting or compliance policies.
18. Review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.
19. Advise the Supervisory Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
20. Review candidates for the positions of the Financial Director and Controller of the Company and provide oversight with respect to the appointment, performance assessment and replacement of the head of Internal Audit.
21. Review with the independent auditor and the head of Internal Audit, the internal audit statute, planned scope and results of the internal audit plan, including budget, responsibilities and staffing.
22. Receive communications from the head of Internal Audit, or his or her designee, approximately four times a year, or at his, her or the Committee's request, discuss any aspect of the Company's Internal Audit function, including the performance of the Company's Internal Audit function, the results of significant internal audits and internal audit investigations, and any other matters.
23. Establish clear policies for hiring employees and former employees of the independent auditor.
24. Review the Committee's own performance annually.
25. Report to the Supervisory Board its activities, findings and recommendations after each Committee meeting, and apprise the Supervisory Board, through minutes and special presentations, as necessary, of significant developments in the course of performing the Committee's duties and responsibilities.
26. Review (as applicable) and recommend to the Supervisory Board for approval, as applicable, any appropriate supplements to, or changes in, the activities, duties and responsibilities of the Committee or to this Statute.
27. To facilitate review of Committee activities, duties, responsibilities and this Statute, the Committee shall:
  - a. Complete a self-assessment process annually, including if appropriate, surveying the Supervisory Board, the General Director and the Board of Directors on the role of the Committee in order to identify possible changes, and review the results with the Supervisory Board. This Statute should be re-evaluated in light of assessment results.
  - b. Review and reassess the adequacy of this Statute on no less than an annual basis.

## **Meetings**

The Committee is to meet as many times as it deems necessary, but at a minimum, four times per year. Fifty percent (50%) or more of the members present at a meeting of the Committee shall constitute a quorum.

It is the responsibility of the Chairperson to schedule all meetings of the Committee and to provide the members of the Committee with a written agenda prior to each meeting.

## **Attendance**

The Committee may request any officer or employee of the Company, the Company's external auditor, the Company's insurance broker and/or the Company's counsel to attend a meeting of the Committee or to otherwise meet with any member of, or consultants to, the Committee. The Committee shall meet with the General Director and other members of the Board of Directors in separate executive sessions at least annually to discuss any matters that the Committee, the General Director or other members of the Board of Directors desires to discuss in private. The Committee may, in its discretion, conduct discussions with consultants or experts without the General Director or other members of the Board of Directors present.

## **Minutes**

The Company's corporate secretary/administrative assistant, or a person designated by the Chairperson to act as secretary for purposes of a meeting, will prepare the minutes of each meeting and provide a copy of the minutes to the Committee members and members of the Supervisory Board who are not members of the Committee.