JSC GEORGIAN STATE ELECTROSYSTEM

Corporate Governance Code

Article 1. General provisions

The purpose of this Corporate Governance Code (hereinafter the "**Code**") is to define the core principles of corporate governance for Georgian State Electrosystem JSC (hereinafter the "**Company**") as effective and sound corporate governance.

Article 2. Definition of terms

1. Terms used in this Code have the following meanings:

a) **Independence** – The ability to exercise objective judgement and independent decision making without undue influence of any party.

b) **Independent member of the Supervisory Board** – A member whose independence should be confirmed in the manner set by the Article 5(5) of the Code whereas within the selection process of relevant candidates all the factors set below should be considered. In addition, existence of the given circumstance(s), does not intrinsically (per se) mean that a member/candidate should be considered as being non-independent. Such circumstances should be considered by the Supervisory Board while assessing the independence of the candidate and the arguments for their independence shall be provided when a candidate:

   i. Has within the last two years had any personal relations (kinship, living together etc.) with the shareholder(s) of the Company, also with the person(s) holding significant share of the companies incorporated by the Company;

   ii. Has within the last two years run a business (directly/indirectly) or has any other material business relations with the shareholder(s) of the Company or of the companies incorporated by the Company also with the person(s) who hold(s) (directly/indirectly) significant share of the companies incorporated by the Company;

   iii. Has any kind of material obligation (including, financial) towards shareholder(s) holding a significant share or the companies incorporated by the Company;

   iv. Has within the last five years had any professional or other kind of working relationship (including, providing business services) with the Company or its shareholder(s) holding a significant share;

   v. Receives any other additional payment from the Company except for the fixed salary related to the membership of the Supervisory Board;

vi. Has any other kind of relationship that may affect the independence of the person.

c) **Risk appetite** – The aggregate level and types of risk the Company is willing to assume, decided in advance and within its risk capacity considering regulatory capital, risk management and control mechanisms of the Company and other regulatory restrictions, to achieve its strategic objectives and business plan.

d) **Risk culture** – The Company's norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume.

e) **Risk limits** – Specific quantitative measures or limits based on, for example, forward-looking assumptions that allocate the Company's aggregate risk to business lines, legal entities as relevant, specific risk categories, concentrations and, as appropriate, other measures

f) **Risk profile** – The Company's gross (prior to application of any kind of mitigation) or net risk exposures (after taking into account mitigation) at a particular point in time in specific risk category, which is based on current or forward-looking assumptions.

g) **Risk appetite framework (RAF)** – The overall approach, including policies, processes, controls and systems, through which risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF should consider material risks to the Company and should align with the Company's strategy.

h) **Risk governance framework** – The framework through which the board and management establish and make decisions about the Company's strategy and risk approach. It includes risk identification, measurement, management and control processes.

i) **Control functions** – Those functions that have a responsibility to provide objective assessment, reporting and/or assurance. This includes the risk management function, the compliance function and the internal audit function.

j) **Compliance function** – The unit that together with other functions provide assurance that the Company operates in compliance with applicable laws, regulations, internal policies and procedures, as well as identifies and assess compliance risks, makes recommendations to the Supervisory Board and the General Director regarding the management and monitoring of compliance risks, in addition, ensures employees awareness compliance related matters.

k) **Retention period** – Period, during which the person who received shares or instruments related to shares as a part of remuneration system, is unable to dispose/use it.

l) **Persons related by kinship (relatives)** – Those persons, who, in accordance with the Civil Code of Georgia, are included in lines I and II of legal successors.

2. All other definitions used in this Code have the same meaning as defined by the Georgian legislation.

Article 3. Core Principles of Corporate Governance

1. The Supervisory Board retains primary responsibility for corporate governance within the Company at all times. Nevertheless, the General Director together with the Board of Directors plays an important part in ensuring effective governance and is therefore responsible for operating effective oversight consistent with Supervisory Board policy.

2. The Company should have a well-defined organizational structure, which ensures allocation of responsibilities, effective identification of risks, management/monitoring and reporting procedures, adequate internal control mechanisms, including robust administrative and accounting procedures, effective IT systems and controls for risk management, remuneration policies/procedures. This shall be subject to regular internal review and update.

3. The corporate governance structure and policies shall be articulated clearly and communicated to all appropriate staff within the Company.

4. Any member of the governance structure of the Company who has any material concern about the overall corporate governance of the Company can report to the Supervisory Board.

5. As setting appropriate sustainability issues, such as environmental, social and governance factors (ESG standards) is essential for the Company's sustainable development, the Company should integrate sustainability issues, such as environmental, social and governance factors in their long-term strategic development plan within its Corporate Social Responsibility (CSR).

Article 4. The Roles and Responsibilities of the Supervisory Board

1. In addition to other functions, the members of the Supervisory Board are individually and collectively responsible for performing the following functions:

   a. Establishing the Company values, organizational structure and generally, ensuring that the Company is governed in full compliance with the principles of fairness, competence, professionalism and ethics.

b. Establishing the Company's ethical culture and evaluating the role of the General Director and the Board of Directors in establishing and ensuring sound corporate and ethical culture, which includes but is not limited to a continuous compliance with existing legislation, regulations, including this Code, the Company's Code of Ethics and Conduct Policy and the Company's internal standards.

c. Having an oversight on effectiveness and impartiality of existing policies and procedures regarding information disclosure (whistleblowing). Additionally, it must be ensured that the General Director is fully responsible to report all the material issues identified by other bodies of the structure within the Company. Furthermore, they should be fully protected from any kind of potential harm and discrimination.

d. Establishing the Company's strategy and overseeing management's implementation of its strategic objectives.

e. Ensuring compliance with all supervisory requirements.

f. Establishing the Company's risk appetite along with the General Director and Board of Directors taking into account the competitive and regulatory landscape, the Company's long-term interests, risk exposure, effective risk management, oversight of risk management and control functions and the Company's adherence to the RAS, risk policies and limits.

g. Reviewing organizational structure including the roles and responsibilities so that the General Director, Board of Directors and the Supervisory Board are able to exert their powers and make decisions effectively.

h. Overseeing the General Director and Board of Directors' activities and evaluating its decisions. Ensuring that the Supervisory Board members receive all sufficient information from the General Director and Board of Directors, including explanations and confirmation that its activities are in a full compliance with the strategies, risk appetite and the Company's internal control mechanisms are approved by the Supervisory Board.

i. Overseeing the Company's approaches of remuneration system, which includes discussion and overseeing the issues regarding the compensation of executives and assessing whether it is aligned with the Company's risk culture and risk appetite;

j. Ensuring independence and effectiveness of control functions and a corporate secretary/administrative assistant.

k. Ensuring establishment and functioning of effective management processes, which includes continuous evaluation and development of existing employees, as well as identification and examination of potential candidates.

l. Overseeing transactions with related parties and ensuring existence of effective procedures and policies.

2. For the purposes of performing the functions set in the first paragraph, the Supervisory Board conducts a meeting at least once in a quarter, and in case of demand, has to increase the frequency of meetings.

3. The member of Supervisory Board shall not participate in the discussions and decision-making, if he/she may have direct links to the discussion, which might create a threat of conflict of interests. In addition, in case of indirect links, the Supervisory Board should assess the risks related to conflict of interests and consider them into their decision making process.

4. The members of the Supervisory Board are not authorized to delegate their rights to others except for the circumstances when the rights are delegated to the committees of the Supervisory Board.

5. The Supervisory Board should regularly meet the General Director and Board of Directors and internal control functions to discuss policies and controls in order to identify material risks and the issues suffering certain impediments. The Supervisory Board should question and critically review explanations and information provided by the General Director and Board of Directors.

6. Notes and records about each decision of the Supervisory Board or its committees must be appropriately recorded. This function may be performed by a corporate secretary/administrative assistant considering the Company's internal organizational structure. Records should include information on the final decision as well as attitudes/arguments of the members of the Supervisory Board opposed with decisions.

7. The Supervisory Board should at a minimum annually carry out assessments of their committees' own performance. External consultants should be incorporated in the assessment process at a minimum, in every 3 years. The procedure should be established and approved by the Supervisory Board in the manner stipulated by the Article 13 on the Supervisory Board performance assessment.

Article 5. Composition of the Supervisory Board

1. Competence and skills of the Supervisory Board members must ensure adequate functioning of financial performance and effective expertise in risk management.

2. If a Supervisory Board member no longer satisfies the requirements determined by the relevant legislation or in case of potential risk or if a member is no more capable of performing his/her functions, the Supervisory Board shall take appropriate measures.

3. The Supervisory Board should be comprised of sufficient number of members commensurate with the size and complexity of the Company.

4. At least two thirds of Supervisory Board members should be independent.

5. Independence of a Supervisory Board member or candidate should be confirmed by the Supervisory Board itself prior to his/her appointment.

6. Each Supervisory Board member should have sufficient time to perform his/her duties adequately.

7. The Supervisory Board members should have a range of knowledge and experience in relevant areas and have varied backgrounds to promote diversity of views. Moreover, at least 30% of the Supervisory Board members should be female.

8. The Company should have relevant procedures and policies for selecting Supervisory Board members and ensuring their compliance with the relevant criteria.

9. Supervisory Board members are collectively responsible for the Company's interests disregarding the shareholders appointing them. Additionally, Supervisory Board members have fiduciary duty towards the Company.

10. In order to support Supervisory Board members acquire, maintain and enhance their knowledge and skills, and fulfil their responsibilities, the Supervisory Board should ensure participation of its members in induction programs and having access to ongoing training on relevant issues. Further extensive efforts should be made to train and keep updated those members who need to enhance their skills according to the results of the assessments as per paragraph 5 of Article 13, this includes members with relatively limited financial, regulatory or risk-related experience. Compliance with this requirement may require internal or external resources.

11. The Supervisory Board and its committees should have access on assistance of external experts while making the decisions. For this purposes the General Director and Board of Directors should ensure to allocate sufficient resources (budgets) while formulating the budget.

Article 6. Chairperson of the Supervisory Board

1. Chairperson is appointed from the members of the Supervisory Board. He/she is responsible for its effective overall functioning, including maintaining a relationship of trust and collegiality with Supervisory Board members as well as facilitating coordination and cooperation between Supervisory Board and the General Director.

2. If a Chairperson is not independent Supervisory Board member as defined by paragraph "b" of Article 2, from independent members of the Supervisory Board a senior independent member must be chosen, who shall be responsible for avoiding and removing any concerns regarding the conflict of interests. The senior independent member shall be simultaneously appointed as the deputy chairperson of the Supervisory Board. The senior independent board member serves as a chairperson while making decision on the issues when the chairperson might have face conflicts of interests. The procedure (when a senior independent member serves as a chairperson) of separating the roles and responsibilities between Chairperson and senior independent member must be well-established by internal policy.

Article 7. The Committees of the Supervisory Board

1. The Company is required to establish at least audit, compensation, governance and nomination, risk management and investment committees composed of the Supervisory Board members.

2. Each committee should have a statute or other instrument that sets out its mandate, scope and working procedures. This includes how the committee will report to the full Supervisory Board, what is expected of committee members and any tenure limits for serving on the committee. The Supervisory Board should consider the occasional rotation of members and of the chair of such committees, as this can help avoid undue concentration of power and promote fresh perspectives.

3. Committees should maintain appropriate records of their decisions and discussions, in certain cases by a corporate secretary/administrative assistant. Additionally, committees should regularly submit reports about decisions and recommendations to the Supervisory Board. However, the Supervisory Board remains ultimately responsible for each committee's decision.

4. A committee chair should be an independent Supervisory Board member. In addition, committees should have a sufficient number of independent members that play a leading role in committees. Each committee should consist of at least three Supervisory Board members and their responsibilities should give them the power to adequately perform their duties.

5. The Supervisory Board committees should be composed of the members appointed

according to their specialized skills and experiences. Objectivity and sound decision-making should be provided.

6. Committees' statutes, particularly the parts of authorities and responsibilities, shall be reviewed regularly by the committees, in certain cases together with a Supervisory Board. Such reviews shall take place at least annually and shall be documented.

7. Committees should have access to any kind information. Additionally, they should be able to meet control functions of the Company without the General Director being present.

Article 8. Audit Committee

1. The Audit Committee is, in particular, responsible for:

    a. Framing policy on internal audit and financial reporting, among other things;

    b. Overseeing the financial reporting process and approve financial statements prior to publication;

    c. Providing oversight of and interacting with the Company's internal and external auditors;

    d. Approving, or recommending to the Supervisory Board or shareholders for their approval, the appointment, remuneration and dismissal of external auditors;

    e. Reviewing and approving the audit scope and frequency;

    f. Receiving key audit reports and ensuring that the Board of Directors is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and other control functions;

    g. Overseeing the establishment of accounting policies and practices;

    h. Reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system.

    i. Ensuring adequate functioning, independence and effective cooperation of internal and external audits.

    j. Review recommendation letter prepared by external audit and monitor that managers take corrective actions to solve the problems.

2. The chairperson of the Audit Committee should be independent and should not be the chairperson of the Supervisory Board or any other committees. Additionally, an Audit Committee should comprise of at least three members, the majority of which should be independent Supervisory Board members.

3. At least two members of an Audit Committee, including the chairperson must have the ability to analyze financial statements and must have education in finance.

4. The members of an Audit Committee should have free and unfettered access to the Board of Directors, the internal audit and all risk management functions.

5. An Audit Committee should annually review the independence of external auditors and publish information in annual report particularly on:

   a. The aggregate amount of fees paid to the external auditors for that financial year,

   b. A breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's annual report. Where the external auditors also supply a substantial volume of non-audit services to the company, the Audit Committee should keep the nature and extent of such services under review, seeking to maintain objectivity and avoiding conflicts of interests,

6. A former partner or director of the Company's existing auditing firm or auditing corporation should not act as a member of the Audit Committee:

   a. Within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation;

   b. For as long as he/she has any financial interest in the auditing firm or auditing corporation.

7. To reinforce the independence of external auditors, the Supervisory Board should, as a good practice, rotate its external auditors (either the audit firm or individuals within the firm) from time to time.

Article 9. Risk Management Committee

1. In addition to other functions, the Risk Management Committee:

   . Discusses all risk strategies on both an aggregated basis and by type of risk and make recommendations to the Supervisory Board thereon, and on the Company's overall current and future risk appetite;

. Reports on the state of risk culture in the Company and reviews its risk policies at least annually;

. Oversees that management has in place processes to promote the Company's adherence to the approved risk policies;

. Cooperates and monitors the activities of the Executive Risk Committee;

. Provides recommendations to the Supervisory Board regarding the risk strategies and effectiveness of the policies, including distribution and keeping adequate level of capital for identified risks;

. Monitors the strategies for capital and liquidity management; additionally, all other types of risks including credit, market, operational and reputational risks, in order to ensure adequacy with risk appetite.

2. Risk Management Committee is responsible for providing recommendations and views to the Supervisory Board regarding existing and future risk appetite. Additionally, it should provide a report about material risks and other identified significant issues, including the structure of internal control systems and risk management, effective functioning, continuity and generally about the risk culture to the Supervisory Board at least once a year.

3. The Risk Management Committee should receive regular reporting and communication from the Executive Risk Committee and other relevant functions about the Company's current risk profile, current state of the risk culture, utilization against the established risk appetite, and limits, limit breaches and mitigation plans.

4. There should be an effective communication and coordination between the Audit Committee and the Risk Management Committee to facilitate the exchange of information and effective coverage of all risks, including emerging risks, and any needed adjustments to the risk governance framework.

5. The Risk Management Committee must have free and unfettered access to the Board of Directors, risk and financial control personnel, and other parties (internal and external) in carrying out its duties.

6. Chair of the Risk Management Committee should be independent and should not be the chairperson of the Supervisory Board or any other committees. Additionally, the Risk Management Committee should comprise of at least three members, the majority of which should be independent members of the Supervisory Board.

7. The Risk Management Committee shall liaise regularly with the Executive Risk Committee

to ensure the development and on-going maintenance of an effective risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business.

Article 10. Compensation Committee

1. The Compensation Committee should support the organization to oversee the compensation system's design and operations and providing the compliance between compensation system and risk culture, long-term business strategy and risk appetite, commercial activities and control as well as legislative/supervisory requirements.

2. Chair of the Compensation Committee should be an independent member of the Supervisory Board. Additionally, the Compensation Committee should be comprised of at least three members, the majority of which are independent members of the Supervisory Board.

3. The Compensation Committee should:

    a. Conduct regular reviews of, and making recommendations to the Supervisory Board on, the remuneration policy to ensure that the Company's remuneration policy is in compliance with the international standards and the respective rules by national supervisory authorities. This must include an assessment of the remuneration policy's effectiveness and compliance with the envisaged requirements;

    b. Making annual recommendations to the Supervisory Board on the remuneration of the General Director and other members of the Board of Directors;

    c. Making annual recommendations to the Supervisory Board on the remuneration of the categories of persons covered by the remuneration policy.

4. The Compensation Committee works closely with the Risk Management Committee for assessing the incentives provided by the remuneration system. The Risk Management Committee should, without prejudice to the tasks of the Compensation Committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

Article 11. Governance and Nomination Committee

1. The Governance and Nomination Committee:

    a. Provides recommendations to the Supervisory Board on all new appointments of both the General Director and the Supervisory Board members. The Governance and Nomination Committee should perform the function of succession planning of the Supervisory Board, bearing in mind the future demands of the business strategy and the existing level of skills and expertise.

b. Regularly reviews the efficiency and effectiveness of the functioning of the Supervisory Board. The Governance and Nomination Committee should review the nominations, and reasons for resignations, of key appointment holders such as the General Director, members of the Board of Directors, deputy General Director, the Finance Director, and others, as applicable.

c. Ensures that there are adequate policies and procedures relating to the engagement, dismissal and succession of the General Director and members of the Board of Directors, and be actively involved in such processes.

d. Ensures that the Supervisory Board is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Company as a whole.

e. It may be involved in assessment of effectiveness of the Supervisory Board, the General Director and members of the Board of Directors and may be involved in overseeing the Company's personnel or human resource policies;

f. Ensure relevance of internal governance structure with the requirements and the Company's internal rules/documents about corporate governance;

g. Ensure effective decision-making system that provides assessing reputational risks while making decisions as well as their compliance with relevant legislation and internal standards and rules;

h. In addition to other duties, take responsibilities and perform duties set by the Code of Ethics and Conduct Policy of the Company.

2. The Governance and Nomination Committee shall be comprised of at least three members of the Supervisory Board, all of whom shall be independent.

Article 12. Investment Committee

1. The Investment Committee should assist with the Supervisory Board's decision making concerning investment in infrastructure projects, and to mitigate the risks associated with such infrastructure investment decisions, in each case to the extent such oversight is not otherwise the duty or responsibility of other committees of the Supervisory Board.

2. The Investment Committee shall be comprised of at least three members of the

Supervisory Board, all of whom shall be independent.

3. The Investment Committee shall be empowered with the following main duties and responsibilities:

    a. Provide high level input on investment strategy to the Company;

    b. Review and recommend for approval by the Supervisory Board, investment policies and guidelines including investment objectives and long-term infrastructure investment targets;

    c. Engage consultants and advisors to assist in evaluating infrastructure investment decisions of the Company;

    d. Report to the Supervisory Board its activities, findings and recommendations after each Investment Committee meeting, and apprise the Supervisory Board, through minutes and special presentations, as necessary, of significant developments in the course of performing the Investment Committee’s duties and responsibilities.

Article 13. Supervisory Board performance assessment

1. The Supervisory Board shall put in place a formal skills matrix to ensure that there is an appropriate skills mix across members of the Supervisory Board and potential new members should be assessed against the skills matrix during the appointment process.

2. The Supervisory Board should periodically review its structure, size and composition as well as the committees’ structures and coordination, the ongoing suitability of each Supervisory Board member, the effectiveness of its own governance practices and procedures.

3. The Supervisory Board must have procedures for assessing, at least annually, its own performance. It must also have in place a procedure for assessing, at least annually, own performance of individual Supervisory Board members alone or with the assistance of external experts

4. Every three years an assessment by an external evaluator shall be undertaken.

5. The purpose of the internal and external performance assessment of the Supervisory Board is to identify the matters, which should be improved. Based on the assessments, the Supervisory Board shall plan measures how to improve the issues, which should be improved. The latter might include the trainings for the Supervisory Board members.

Article 14. Board of Directors

1. The Board of Directors should implement business strategies, risk management systems, risk culture, processes and controls for managing both financial and non-financial risks as well as providing the Supervisory Board with the information it needs to carry out its responsibilities, supervise the Board of Directors and assess the quality of its performance.

2. The Board of Directors is responsible for distribution of functions and responsibilities of the Company's employees, and effective governance structure, which should ensure accountability and transparency.

3. The responsibilities of the Board of Directors is defined and documented by the Supervisory Board to ensure that no single person has unfettered control of the business.

4. Members of the Board of Directors should have experience and competence for effectively performing their functions. Additionally, they have to be able to participate in training programs for enhancing knowledge and competence in needed fields. It is highly recommended that selecting of members of the Board of Directors is based on structural planning and recommendations. In this process, every candidate’s qualification and skills should be evaluated.

Article 15. General Director

1. The General Director is the top executive responsible for the Company with ultimate executive responsibility for the Company’s operations, compliance and performance. The General Director serves as the main link between the Supervisory Board and the Board of Directors.

2. The Supervisory Board shall appoint a General Director.

3. The General Director shall have the necessary personal qualities, professionalism and integrity to carry out his or her obligations.

Article 16. Corporate Governance of the Company’s subsidiaries

1. In a group structure, the Supervisory Board of the Company has the overall responsibility for the subsidiaries of the Company and for ensuring the establishment and operation of a clear governance framework appropriate to the structure, business and risks of the Company’s subsidiaries.

2. The Supervisory Board of the Company should be aware of the material risks and issues that might affect both the Company and its subsidiaries. It should exercise adequate oversight over subsidiaries while respecting the independent legal and governance

responsibilities that might apply to subsidiary supervisory boards.

3. Subsidiary supervisory boards and their senior management remain responsible for developing effective risk management processes for their entities supporting the effectiveness of risk management at a group level.

Article 17. Risk Management

1. The Supervisory Board is responsible for monitoring and establishing a strong risk management system, which includes strong risk culture, healthy risk appetite, which is set by the risk appetite statement and effectively determined responsibilities regarding risk management and control functions. The Company's risk identification, aggregation, mitigation and monitoring capabilities are commensurate with the Company's size, complexity and risk profile.

2. The Supervisory Board is required to understand the risks to the Company including ongoing analysis of existing risks as well as the identification of new or emerging risks and shall establish a documented risk appetite for the Company which should correspond to the Company's strategy, capital, financial plans and compensation practices. Risk appetite document should at minimum:

    a. Include both quantitative and qualitative considerations and also include quantitative metrics to allow tracking of performance and compliance with agreed strategy;

    b. Establish the individual and aggregate level and types of risk that the Company is willing to assume in advance taking into account the Company's existing capital, risk management and prudential limitations in the scope of planned business activities.

    c. Define the boundaries and business considerations in accordance with which the Company is expected to operate when pursuing the business strategy;

    d. Communicate how everyday activities are in line with the Company's risk appetite.

3. The risk appetite definition shall be comprehensive and clear, taking into account the Company's short, medium and long term horizons. Risk appetite should be the subject of review at least once every year.

4. For the purposes of quantitative and qualitative analysis, the Company should conduct stress test and scenario analysis, in order to better evaluate potential risk positions taking into account different scenarios.

5. The Company should regularly compare actual performance against risk estimates (i.e. back testing) to assist in judging the accuracy and effectiveness of the risk management process and making necessary adjustments.

6. The Company should have risk management and approval processes for new or expanded products or services, lines of business and markets, as well as for large and complex transactions that require significant use of resources or have hard-to-quantify risks.

7. Effective risk identification and measurement approaches should be present for the Company's subsidiaries. Risk management framework should include assessing of future risks from the Company's subsidiaries and should be taken into account through risk management processes.

8. Mergers and significant acquisitions as well as other significant changes in the Company's group structure that are associated with significant challenges, should be assessed thoroughly and adequately by the relevant functions involved in risk management.

9. A risk governance framework should include well-defined organizational responsibilities for risk management, typically referred to as the three lines of defense:

    a. The business line that implies taking risks and are responsible and accountable for the ongoing management of such risks. This includes identifying, assessing and reporting such exposures, taking into account the Company's risk appetite and its policies, procedures and controls. The Supervisory Board should promote a strong culture of adhering to limits and managing risk exposures;

    b. A risk management function and a compliance function independent from the first line of defense with the responsibility among other things, for overseeing the Company's risk- taking activities and assessing risks and issues independently from the business line while promoting the importance of General Director and the Board of Directors and business line managers in identifying and assessing risks critically rather than relying only on surveillance conducted by the risk management function. The compliance function among other things, routinely monitor compliance with laws, corporate governance rules, regulations, codes and policies to which the Company is subject and report to General Director and the Board of Directors and, as appropriate, to the Supervisory Board on how the Company is managing its compliance risk; and

    c. An internal audit function independent from the first and second lines of defense which for the effective risk management purposes provides independent review and objective assurance on the quality and effectiveness of the Company's internal control system, the first and second lines of defense and the risk governance framework including links to organizational culture, as well as strategic and business planning, compensation and decision-making processes.

10. Depending on the Company's nature, size and complexity, and the risk profile of its activities, the specifics of how these three lines of defense are structured can vary. Regardless, these three should be structurally and qualitatively differentiated. The Company should be able to identify and evaluate effectiveness of structural units of all three lines.

11. The Supervisory Board should ensure that the risk management, compliance and internal audit functions are properly positioned, staffed and resourced and carry out their responsibilities independently, objectively and effectively.

12. In the Supervisory Board's oversight of the risk governance framework, the Supervisory Board should regularly review key policies and controls with General Director and the Board of Directors and with the heads of the risk management, compliance and internal audit functions to identify and address significant risks and issues as well as determine areas that need improvement.

13. The Supervisory Board together with financial risks should consider non-financial risks, including environmental and social risks. The Supervisory Board should ensure that environmental and social risks are fully integrated into the risk management framework based on the best international practices. The Company should also have an ongoing development programs that will ensure that the board members have sufficient knowledge of the ESG matters. These issues should be monitored at the Supervisory Board level though the function may be delegated to the relevant Supervisory Board committee. The Supervisory Board should be able to verify that environmental, social and governance risks are identified and their impacts are assessed appropriately.

14. The information on risks should be rotated in a timely, precise and clear manner, using dynamic and consistent reporting systems, in order to ensure well-supported/documented decision making process.

15. In the case of high dollarization, overall risk management framework should take into account market risk related to FX risk as well as currency induced credit risk and those risks should be reflected into the Company's risk appetite statement and its related policies/procedures and limits. For these purposes, FX risk should be adequately incorporated in stress-scenarios. In addition, the Company should assess and manage unhedged credit risk.

Article 18. Internal control and audit

1. The risk management system should be supported by a system of sound internal controls including an effective and efficient internal audit function that provides an independent assurance to the Supervisory Board, the General Director and the Board of Directors on the quality and effectiveness of the Company's internal control, risk management and governance systems and processes.

2. The Supervisory Board, General Director and the Board of Directors contribute to the independence and effectiveness of the internal audit function by:

    a. Ensuring full access of internal audit functions to the Company's information, records and data which includes access to the informational systems and records of each decision making units;

    b. Fully ensuring independence of internal audit functions, including structural independence when evaluating effectiveness and efficiency of risk management and management systems and processes;

    c. Requiring internal auditors to adhere to national and international professional standards;

    d. Requiring that internal audit has such independent resource policies and compensation systems, which will allow it to attract resources with adequate skills, which correspond to the Company's scale and complexity.

    e. Requiring timely and effective correction of audit issues by General Director and the Board of Directors;

    f. Requiring the internal audit function to perform assessment of the Company's overall risk governance framework, including but not limited to an assessment of:

        i. The effectiveness of the risk management and compliance functions;

        ii. The quality of risk reporting to the Supervisory Board, General Director and the Board of Directors;

        iii. The effectiveness of the Company's system of internal controls.

3. Internal audit function must report to the Supervisory Board and its Audit Committee, which must make decisions regarding the hiring, dismissal, evaluation and compensation of the head of the internal audit function. The Company's General Director and Board of Directors

or any other executive structures should not participate in determining the compensation of the internal audit.

4. The internal audit function should independently evaluate the:

   a. Effectiveness and efficiency of internal control, risk management and governance systems in the context of both current and potential future risks;

   b. Reliability, effectiveness and integrity of management information systems and processes (including relevance, accuracy, completeness, availability, confidentiality and comprehensiveness of data);

   c. Monitoring of compliance with laws and regulations, including any requirements from supervisors (see the following sub-section for more details); and

   d. Safeguarding of assets.

5. The head of internal audit is responsible for establishing an annual internal audit plan that can be part of a multi-year plan. The plan should be based on a sound risk assessment (including input from General Director and the Board of Directors and the Supervisory Board) and should be updated at least annually (or more frequently, to enable an ongoing real-time assessment of where significant risks lie). The Supervisory Board’s approval of the audit plan implies that an appropriate budget will be available to support the internal audit function’s activities. The budget should be sufficiently flexible to adapt the internal audit plan in response to changes in the Company’s risk profile.

6. Internal audit should include in its scope the following aspects of risk management:

   a. The organization and mandates of the risk management function including commercial, financial, operational, reputational, integrity, sustainability, regulatory, and legal risks;

   b. Evaluation of risk appetite, escalation and reporting of issues and decisions taken by the risk management function;

   c. The adequacy of risk management systems and processes for identifying, measuring, assessing, controlling, responding to, and reporting on all the risks resulting from the Company’s activities;

   d. The integrity of the risk management information systems, including the accuracy, reliability and completeness of the data used; and

e. The approval and maintenance of risk models including verification of the consistency, timeliness, independence and reliability of data sources used in such models.

7. Internal auditors should regularly evaluate the effectiveness of the process by which the risk and reporting functions interact to produce timely, accurate, reliable and relevant reports for both internal management and the supervisor.

8. Besides the reporting line to the Supervisory Board, considering the General Director's and Board of Director's responsibility of providing adequate and effective internal control function, internal audit function should report to the General Director and Board of Directors on material identified issues and assessment results for the purposes of prompt decisions and reactions of taking relevant measures that should be also discussed with the General Director and the Board of Directors. The status of measures, results and planned arrangements should be reported to the Supervisory Board.

9. In order to ensure effective and efficient internal audit function, there should be a regular communication between internal audit function and the Supervisory Board. For these purposes, internal audit function should provide information to the Supervisory Board on identified risks and impediments, including information on corrective measures and risk mitigation measures taken by the Company's General Director and Board of Directors as well as information on results in some cases provided by the relevant reports.

10. Audit Committee is required to assess internal audit function performance at least annually.

Article 19. Remuneration

1. The Company's remuneration structure should support sound corporate governance and risk management incentivizing good performance, acceptable risk-taking behavior, reinforcing the operating and risk culture and it should be in line with the business and risk strategy, objectives, values and long-term interests of the Company. Incentives embedded within remuneration structures should not incentivize staff to take excessive risk.

2. The Company must establish and maintain a documented Remuneration Policy including measures of performance, the mix of forms of remuneration (such as fixed and variable components, and cash and equity-related benefits) and the timing of eligibility to receive payments.

3. The Remuneration Policy must ensure that the structure of the remuneration of control function personnel, including performance-based components if any, does not compromise the independence of these personnel in carrying out their functions. For the purposes of ensuring independence of control functions, the remuneration of staff should not be based

on financial results of the business line they oversee or monitor.

4. The Supervisory Board is responsible for the overall oversight of effective functioning of remuneration system led by the General Director and the Board of Directors. The Supervisory Board or the Compensation Committee should review the remuneration plans, processes and outcomes at least annually.

5. The Supervisory Board, with recommendations of the Compensation Committee, approves remuneration policies of General Director and the Board of Directors and control functions, and monitors effective functioning of remuneration policies, systems and related control functions.

6. The Company should have established remuneration policy for entire personnel.

7. Remuneration should reflect risk-taking and risk outcomes. Where the remuneration is based on potential future revenues, the Company shall set qualitative and quantitative indicators for measuring performance.

8. The remuneration of Supervisory Board members should be appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Supervisory Board members. Their compensation should not compromise their independence. Remuneration of Supervisory Board members should only include fixed compensation. Except for membership of Supervisory Board, a Supervisory Board member may receive compensation in the cases when she/he is the chair/deputy chair of the Supervisory Board, member of the Supervisory Board committees or chair of the Supervisory Board committees. In addition, the difference between the compensation of the Supervisory Board members, which are members of the Supervisory Board committees, or chairs or deputy chairs, and other Supervisory Board members who do not hold such positions should not be more than 30%.

9. Remuneration system for the General Director and members of the Board of Directors should include at least the following elements:

   a. Fixed remuneration, which should primarily reflect relevant professional experience and organizational responsibility as set out in job description of the General Director and a member of the Board of Directors as part of the terms of work;

   b. Variable remuneration, which should reflect risk adjusted performance.

10. Remuneration for the General Director and members of the Board of Directors should depend on the whole year's results:

a. The principles of deferral, retention and the payment methods of variable remuneration:

i. Deferral principle - A substantial portion, and in any event at least 40% or— where variable part exceeds 50% of total remuneration—respectively 60% of the variable remuneration component is deferred over a period which is not less than three to five years.

1. Deferral period should be correctly aligned with the timing of the realization of the risks associated with the activities of the General Director and a member of the Board of Directors.

2. Deferred remuneration should either vest fully at the end of the deferral period or be spread out over several payments on pro rata vesting basis. Vesting should not take place more frequently than on a yearly basis.

ii. Retention principle - For the non-deferred part of the compensation that is paid, in shares, share linked or other instruments, in case of General Director and the Board of Directors, are subject to one year retention period and in case of persons taking material risk at least a six-month retention period.

iii. Payment forms – For variable remuneration as for deferred so non-deferred, maximum 50% of the given amount should be paid in cash, whereas the remaining 50 % must be paid in shares, share linked or other instruments.

1. If the Company's shares are traded on the stock market, the relevant part of remuneration may be paid in shares. In this case, the methodology for determining share price should be consistent with international best practice and approved by the General Meeting of Shareholders.

2. If the Company's shares are not traded on the stock market, the Company may elaborate share -linked or other instruments of remuneration.

b. Maximum ratio of annual variable remuneration – annual variable component of remuneration shall not exceed 100% of annual fixed component of the total remuneration for each individual.

c. Ex-ante and ex-post performance based or risk-based adjustments of compensation, including explicit risk adjustments that are based on the performance assessment of the staff member, business unit and the Company. The entire part of the variable compensation should be subject to these corrections including the following types of adjustments:

i. Malus/forfeiture where compensation can be reduced or reversed based on realised risks or other events before or at the moment of vesting;

ii. Clawback under which compensation can be reduced or reversed after compensation vests, due to misreporting, or failure to comply with internal policies or other legal requirements, including breach of standards of ethics or other issues defined by the Company.

d. The Company is required to determine the criteria to use aforementioned compensation corrections-malus and clawback arrangements for reduction/reversal of variable remuneration. Specifically, the following criteria should be taken into account when using malus and clawback arrangements:

i. Beneficiary of remuneration participated in or was responsible for conduct which resulted in significant losses to the Company;

ii. Beneficiary of remuneration failed to meet appropriate standards of fitness and propriety;

iii. Evidence of misconduct or serious error by the beneficiary of remuneration (e.g. breach of the Company's Code of Ethics and Conduct Policy and other internal rules, especially concerning risks);

iv. Whether the Company and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators), which is caused by the beneficiary of remuneration;

e. Whether the Company and/or the business unit in which the identified staff member works suffers a significant failure of risk management, which is caused by the beneficiary of remuneration;

f. Any regulatory sanctions where the conduct of which is caused by the beneficiary of remuneration contributed to the sanction.

Article 20. Information disclosure and transparency

The Company must provide information disclosure for stakeholders on their activities as well as corporate governance issues, including by publishing relevant information on their web-site, which should include information on compliance with ESG standards.