

Decree N172/04 of the President of the National Bank of Georgia

2021, 07 December

Tbilisi

On approval of Corporate Governance Code for the Issuers of Public Securities

On the basis of the Article 15.1.g of Organic Law of Georgia “on the National Bank of Georgia” and Article 9.4, of the Law of Georgia “on the Securities Market”, I hereby order:

Article 1

That the Corporate Governance Code for the Issuers of Public Securities was approved with the attached content.

Article 2

Issuers of Public Securities shall ensure the primary submission of the report envisaged by this Code for the financial year of 2023 in accordance with the requirements set by this Code.

Article 3

This Decree shall enter into force on January 1st, 2022.

Governor of the National Bank of Georgia

Koba Gvenetadze

Corporate Governance Code for the Issuers of Public Securities

Chapter I. General Provisions

Article 1. Aim and Scope

1. The aim of the Corporate Governance Code for the Issuers of Public Securities (hereinafter referred to as a Code) is to define corporate governance principles and reporting requirements for the issuers of public securities (hereinafter referred to as a Company), which will increase the quality of transparency of the Companies, rise the investors' trust towards the Companies and their governing body, which will facilitate the sustainability and efficient functioning of the Capital Market and entire financial sector.
2. This Code shall not apply to the:
 - a) Commercial Banks defined by the subparagraph “g” of article 1 of the Law of Georgia “on Commercial Banks”, Corporate Governance requirements for commercial banks are set by the Rule №215/04 of September 26 of 2018 of the Governor of the National Bank of Georgia “on Corporate Governance Code for Commercial Banks”;
 - b) Issuers and Companies defined by the subparagraphs “a”, “c” and “d” of paragraph 2 of article 1 defined by the Rule №181/04 of October 7 of 2020 of the Governor of the National Bank of Georgia “on Information Transparency Regarding Issuers and the rule on appointing securities registrars to the issuers” (hereinafter referred to as a transparency rule);
 - c) Issuers listed on recognized foreign stock exchanges envisaged by the Rule of October 7 of 2020 of the Governor of the National Bank of Georgia “on the list of recognized foreign stock exchanges, issuers listed on recognized stock exchanges, public offer of securities issued by the development organization created by the international financial institution and foreign state participation in Georgia’, if the equivalent information of the information defined by this Code is prepared, submitted to the relevant authorities (including the supervisory authority) and if necessary is publicly disclosed in forms and terms, as defined by the recognized stock exchange foreign regulatory legislation on which the security of the relevant issuer is listed for trade.
3. The Companies shall ensure compliance with the requirements set by this Code or to provide an alternative considering their structure and size (as it is defined by the Law of Georgia “on Accounting, Reporting and Audit”).
4. For the purposes of this code, publishing of information means publishing information on the official web-page of the issuer, stock exchange or the National Bank of Georgia, as well as through PLLE – The Legislative Herald of Georgia or publishing information through other means that ensure the availability of the information for investors.

Article 2. Corporate Governance Code and its' Compliance Framework

1. Corporate Governance is a unified system of management and control, which defines assigning rights and responsibilities between governing bodies, stockholders/partners and of the Company or other parties interested in the Company. Corporate Governance also includes rules and procedures related to the decision-making and monitoring the Company operation efficiency.

2. Sound Corporate Governance framework ensures the protection of stockholders/partners and investors and supports the companies to reach their long-term goals. Effective Corporate Governance increases the trust of investors towards companies and relevantly plays an important role in attracting local and foreign investments.

3. Together with this Code the basic corporate governance standards are prescribed by the Law of Georgia “on Entrepreneurs”, The Law of Georgia “on Securities Market”, The Law of Georgia “on Accounting, Reporting and Audit”, Rule №215/04 of September 26 of 2018 of the Governor of the National Bank of Georgia “on Corporate Governance Code for Commercial Banks” and Rule №181/04 of October 7 of 2020 of the Governor of the National Bank of Georgia “on Information Transparency Regarding Issuers and the rule on appointing securities registrars to the issuers”. The above mentioned means, that the companies are already obliged to be in compliance with the requirements set by the Georgian Legislation.

4. The Corporate Governance Code is based on the approach - "Apply or Explain an Alternative", aim of which is to facilitate the wider use of good Corporate Governance practice.

5. The approach - "Apply or Explain an Alternative" requires the considered implementation of the principles set by this Code, identification of the deficiencies and argumentation for the terms and ways and timeline of their correction.

6. If the governing body discovers that it is not able to comply with any requirement defined by the Code, except for the requirements provided by law, alternative method/roadmap shall be applied to obtain desired result. The Supervisory Board shall disclose those measures which have been taken or are intended to be taken by them in order to implement good Corporate Governance practice.

7. The information set by this Code and by paragraph 7 of article 7 of the Law of Georgia “on Accounting, Reporting and Audit” shall be submitted in accordance with the subparagraph “b” of paragraph “3” of article 11 of the Law of Georgia “on Securities Market” and in accordance with the paragraphs 4 and 5 of article 3 of “Transparency Rule”.

8. The Company shall clearly and fully describe the compliance with the requirements set by this code in the Corporate Governance report of an annual report defined by paragraph 7 of this article.
9. Together with the annual governance report envisaged by the paragraph 7 of this article the Company shall complete and submit a report on the compliance with the corporate governance requirements defined by ANNEX 1-3 to the National Bank to the following address: cm.corporate@nbg.gov.ge
10. If the Company has become an issuer of public securities after the date of report of an annual report (May 15), the information defined by paragraphs 7, 8 and 9 of this article shall be prescribed in the annual report submitted and published in accordance with the paragraphs 3 of article 7 of the “Transparency Rule”.
11. The Company shall ensure to publish the report defined by paragraphs 8 and 9 of this article in accordance with subparagraph “a” paragraph 2 of article 10 of “Transparency Rule”.
12. The Company shall ensure to publish an ANNEX 1-3 defined by paragraph 9 of this article in accordance with paragraph 4 of article 1 of this code.
13. The submission and completion rule of the report on the compliance with the corporate governance requirements defined by paragraphs 7-10 of this article is defined by article 24 of this Code.

Chapter II. Governing Body

Article 3. General Provisions

1. Supervisory Board is responsible for ensuring compliance of the Company with the requirements of this Code. Board of Directors shall ensure efficient fulfillment of policies of corporate governance, approved by the Supervisory Board.
2. Governing policy of each Company shall be in compliance with its profile of activity, scale and complexity and shall include:
 - a) Charter of the Company, which defines the functions and responsibilities of the Supervisory Board and the Board of Directors in such manner that the process of fulfillment of their rights and efficient decision-making shall be ensured;
 - b) Code of Ethics, which will implement high standards of ethical behavior for the employees and the governing body;

- c) Business Strategy of the Company and appropriate resources in order to achieve intended aims, including the strategy of sustainable development.
 - D) Goals of sustainable development, including environmental, social and governance issues, which at a minimum shall include such matters as are the following:
 - d.a.) Development of human resources policy, based on Georgian legislation, as well as the internationally acknowledged labor standards and human rights protection;
 - d.b) Ensuring safe and healthy working environment for the employees;
 - d.c) Ensuring environmental protection in accordance with the regulations of environmental protection and international standards and guidelines.
 - e) Charters of the Committees set up under the Supervisory Board, in which mandate of the Committee, directions and procedures of the activity shall be defined, including but not limited to the reporting to the Supervisory Board by the Committee, information about restrictions for the membership of the Committee, roles and functions of the members of the Committee.
 - f) Clearly defined organizational and management structure, where no one has unlimited authority, and which ensures definition of liabilities, efficient identification of the risks, management, monitoring and reporting processes. Therefore, it shall include internal control means, fair administering and accounting procedures, efficient informative systems and controls of the management of risks, policies and procedures of remuneration.
3. Any member of the governing body of the Company is eligible to address the Supervisory Board regarding the problematic issues related to the Corporate Governance System.
 4. Charter of the Company, Code of Ethics and Charters of the Committees shall be subject to the regular renewal and shall be publicly available.
 5. The Company shall ensure compliance of its Corporate Governance System with the requirements of the present Code. The policies and procedures of the company shall be in a full compliance with the requirements envisaged by this code.

Article 4. Code of Ethics

1. Each Company shall establish a written Code of Ethics that regulates the issues regarding avoiding the conflict of interest, abuse of authority, corruption, insider dealing, money laundering and other matters aimed to prevent the violations of law. The Code of Ethics shall include:
 - a) Indication, that the members of the governing body and employees shall act in good faith and professionally;

- b) Implication that Directors shall act in accordance with the best interests of the Company, stockholders/partners;
 - c) Procedures for regulating and identifying existing and potential conflict of interests;
 - d) Procedures for suppressing corruption practice, which includes offering and receiving bribe, gifts or other benefits;
 - e) Procedures for disclosure of information related to illegal or unethical behavior;
 - f) Issues related to use, protection and insurance of the information, assets of the Company;
 - g) Issues related to the compliance with legislation;
 - h) Efficient system of whistleblowing in frames of which employees shall be able to confidentially disclose illegal/inappropriate/unethical facts without any risk of discriminatory and inappropriate treatment. The whistleblowing system shall also regulate the investigation of identified facts and procedural issues of relevant reaction. The supervisory board shall ensure monitoring on the process of elaboration of whistleblowing system and the issues related to its proper execution.
2. Supervisory Board shall be responsible for elaboration and monitoring of execution of Code of Ethics of the Company.
 3. The Code of Ethics shall be applicable to the governing body and the employees of the Company.

Article 5. The Role and Responsibilities of the Supervisory Board

1. Along with the fulfilment of main functions, members of Supervisory Board individually and jointly are also responsible for:
 - a) Determining the values of the Company and governing it in full compliance with the principles of justice, competence, professionalism and ethics;
 - b) Determining the organizational structure of the Company, including functions and responsibilities in such a manner, to ensure fulfilment of the authority and efficient decision-making process by the Board of Directors;
 - c) Determining the ethical principles of the Company and steadily evaluate the role of the Board of Directors in implementation and maintenance of fair corporative and ethical culture which is not limited to but comprises constant compliance with the existing legislation, including the present Code, Code of Ethics and internal standards of the Company;
 - d) Determining the strategy of the Company and monitoring the fulfilment of strategic aims by the Board of Directors;
 - e) Together with the Board of Directors, determining and approval of the Risk Management Framework of the Company, during developing of which specific environment, possible future regulations,

- environmental and social governance issues, long-term interests of the Company, efficient risk management, functions of monitoring and internal control shall be considered;
- f) Monitoring the activity of the Board of Directors and assessment of its decisions, ensuring that the members of the Supervisory Board received sufficient information from the Board of Directors, including explanations and persuasion regarding the fact that the activity of the Board of Directors is fully in compliance with the strategy and Risk Management Framework approved by the Supervisory Board;
 - g) Monitoring the appropriate operation of the labor remuneration system in the Company, which also includes discussing and monitoring the issues related to the remuneration of the Directors, and compliance with risk culture and Risk Management Framework of the Company;
 - h) Ensuring the efficient system of replacement of the Board of Directors and important employees and monitoring its implementation;
2. In order to fulfill the functions defined by the paragraph 1 of this Article, the Supervisory Board shall at least once in a quarter hold meetings, and in case of necessity, increase the frequency of the meetings;
 3. In the process of fulfilment of its functions, the Supervisory Board shall first consider the interests of the Company, stockholders/partners and other interested parties. The Supervisory Board shall ensure to establish and maintain efficient communication and collaboration with the stockholders/partners and other interested parties;
 4. The Supervisory Board shall regularly meet with the Board of Directors and structural units carrying out internal control, including internal audit, individuals carrying out the functions of risk management and compliance, in order to discuss the issues about important material risks related to the policies and control and to identify the matters and segments which need to be improved. In frames of communication with the Board of Directors, the Supervisory Board shall critically evaluate the explanations and relevant information provided by the Board of Directors. In addition, considering the organizational structure of the Company, Corporative Secretary shall be responsible for administering of the minutes of the Supervisory Board Meetings. Minutes of both - Supervisory Board and Committees set up at the level of the Board, together with the decisions, shall describe the process of decision-making, including important positions of the members of the Board/Committee, which resulted in to making specific decision, as well as positions of those members of the Board who did not support the decision.
 5. The Supervisory Board in the annual report shall describe its activity during the financial year, which shall also include information regarding the fulfillment of the provisions set by this Code, as well as the issues of sustainable development, environmental and social governance.

Article 6. Composition of the Supervisory Board and selection rules

1. The competence and skills of the members of the Supervisory Board shall collectively contribute to the efficient management of the activities of the Company and efficient risk management. One third of the Supervisory Board, but at least two members shall have the ability to analyze financial statement and shall have the relevant experience in finance, economics, audit and/or other relevant fields. In addition, if the Supervisory Board fails to perform the assigned functions or is no longer in compliance with the requirements of the legislation, the Supervisory Board shall take appropriate measures, including regarding the replacement of the Supervisory Board member, but at no more than 1/3 of the Board members simultaneously and provide the relevant information to the National Bank.
2. Despite the scale and complexity of the activities, the Supervisory Board of the Company shall consist of at least 5 members
3. The chairperson of the Supervisory Board of the Company shall not be the Director of this Company at the same time.
4. One third of the Supervisory Board, but at least two members shall be independent members as determined by article 16 of this Code.
5. The General Meeting of the Company shall ensure that the members of the Supervisory Board shall be elected in such a manner, to ensure the balance of diversity of opinions. This implies the composition of the Board with people of different genders, skills, qualifications and experiences, who have enough time, resources, proper qualifications, professional experience, appropriate competence to fulfil their functions and who will act in a good faith.
6. The Company shall have appropriate policy and procedures of compliance for selection criteria of Supervisory Board members.

Article 7. Chairperson of the Supervisory Board

1. The Supervisory Board Chairperson is selected from members of Supervisory Board by the Supervisory Board, who is responsible for the overall efficient functioning of the Supervisory Board, including coordination of trust and collegial relations between the members of the Board and efficient collaboration.
2. The Chairperson of the Supervisory Board shall be an independent member in accordance with the Article 16 of this Code.
3. In case the Chairperson has a conflict of interests while participating in decision-making, his deputy is responsible for avoiding and eliminating existing and potential conflicts of interests.

Article 8. Committees of the Supervisory Board

1. The Committee shall execute its functions in accordance with the Committee Charter approved by the Supervisory Board.
2. Every Company, despite the size, complexity and activity shall create at least an Audit Committee from the members of the Supervisory Board.
3. In order to increase efficiency of the Company, it is desirable to create Committees with other functions, such as: Risk Management, Remuneration, Nomination and Corporate Governance Committees. For some industries specialized committees related to IT, cybersecurity, and sustainability might be appropriate.
4. In case of absence the Committees specified in paragraph 3 of this Article, the Supervisory Board or its existing committees shall ensure fulfilment of the functions of these Committees.
5. The Supervisory Board shall change the Chairperson and the composition of the Committee in a timely manner to ensure that the Committee is encouraged to promote new visions and directions.
6. The company shall keep and maintain records of relevant minutes on the recommendations and results of discussions by the Committee, preferably by the corporate secretary if it's possible. Committees shall regularly submit reports on their decisions and recommendations to the Supervisory Board.
7. The Committee shall be composed of at least 3 members, in case of a small Company the Committee may consist of 2 members. The member of the Board shall not be member of more than two Committees.
8. It is desirable that meetings of the Committees were held before the meetings of the Supervisory Board. In other cases, they shall assemble at least twice in a year, as well as in any time depending on the necessity.
9. Members of Committees of the Supervisory Board shall be appointed according to their specialized skills and experience. In addition, objectivity shall be encouraged and fair environment for discussion shall exist in committees.

Article 9. Audit Committee

1. The committee of audit shall assemble 4 times in a year and shall submit to the Supervisory Board annual and semi-annual reports in accordance with the time period of approval, in case of necessity the committee may require that the board of directors, internal and external auditors and other employees attended the meeting.
2. The Audit Committee set up with the Supervisory Board, together with other functions, shall be responsible for:
 - a) Determining the policy of internal audit and reporting;
 - b) Monitoring the financial and non-financial reporting preparation process;
 - c) Monitoring and active collaboration with the internal and external auditors;

- d) Evaluating the activity of the external auditors, expressing opinion about the candidacies of the external auditors, submitting relevant recommendations to the Supervisory Board or stockholders/partners regarding the issues of their candidacies, appointment, remuneration or dismissal issues;
 - e) Evaluating the efficiency and independence of activities of the internal audit;
 - f) Ensuring the adequacy, independence and efficient cooperation of the functions of the internal and external auditors;
 - g) Reviewing a letter of recommendation prepared by the external auditor and monitoring appropriate measures taken for correcting the deficiencies made by the Board of Directors;
 - h) Reviewing and submitting to the Supervisory Board the scopes of the internal audit to be conducted and its frequency for approval;
 - i) Receiving reporting from the internal audit and ensuring that all the appropriate measures are timely taken by the Board of Directors in order to resolve the deficiencies, incompatibility with the legislation or other issues arisen in the process of audit, or identified during implementation of other controlling functions;
 - j) Monitoring the development of accounting policy and practice of the Company;
 - k) Discussing the whole framework of risk management and the efficiency and structure of internal control systems, including discussing the ideas of third parties regarding the aforementioned matters.
3. The chairperson of the committee shall be the independent member of the supervisory board, but at the same time, it shall not be the chairperson of the supervisory board or any other committess.
4. Members of the Audit Committee, including the Chairperson, shall have an ability to analyze financial statements and have financial education or relevant financial experience.
5. Members of the Audit Committee shall always have full access to the functions of the Board of Directors, Internal Audit and Risks Management. The Audit Committee shall annually discuss independence of the external auditors and disclose following information:
- a) Remuneration paid to the external auditors during the whole reporting period;
 - b) Elements of compensation paid for audit or other services during the reporting periods, or negative feedbacks provided in annual report. In case the external auditors, except for audit service, provide other services, the Committee shall discuss the content and scopes of such services and ensure objectivity and exclude the conflict of interests;
6. Former partner or Director of the Firm/Auditor conducting current audit of the Company at the same time may not be the member of the Audit Committee:
- a) During 12 months from the moment of leaving position as partner or Director of the Audit Company;
 - b) If the person still has some kind of financial interest at the Audit Company despite of leaving the position

Article 10. Risk Committee

1. Depending on the activity of the Company, Risk Committee may be established from the members of the Supervisory Board, which together with the other functions shall provide the following:
 - a) Discuss the strategy for risk considering both, aggregated and individual risk factors and give relevant recommendations to the Supervisory Board.
 - b) Prepare and submit to the Supervisory Board report on current risk culture in the Company and discuss risk policies, at least once a year.
 - c) Monitor the board of directors ensure that the company's activities are in compliance with its risk policy.
 - d) Give recommendations to the Supervisory Board on the efficiency of the strategies of risk and policies, also on maintaining and allocation of enough capital for identifying the risks.
2. The Committee shall consistently receive relevant reporting from the structural units of the Company on current risk profile, activities related to the risk culture, margins, breach of the margins and mitigation plans.
3. The Audit and Risk Committees shall have efficient communication and coordination, including exchange of information, considering all kinds of risks, including newly revealed risks and all the necessary amendments to the risk management framework of the Company.
4. The Risk Committee shall have full access to the staff of the Board of Directors and the staff of Risk and Financial Control, as well as other internal or external parties, in order to fulfil the functions efficiently.

Article 11. Remuneration Committee

1. Remuneration Committee set up with the Supervisory Board shall facilitate the Supervisory Board in creating remuneration system of the Company and its functioning, as well as achieving that remuneration system of the Company was in compliance with its culture, long-term business and risk management framework, activity of the Company, control environment and legislation/supervisory requirements.
2. Together with the other functions Remuneration Committee is also responsible for the following:
 - a) Regularly discussing a remuneration policy of the Company and provide the Supervisory Board with the recommendations. As well as, ensuring the evaluation of efficiency of the remuneration policy of the Company and its compliance with the requirements of legislation, including in relation to the activity result indicators.
 - b) Submitting recommendations regarding the remuneration of the board of directors annually to the Supervisory Board;
 - c) Preparing recommendations regarding the remuneration of the supervisory board and submit it to the general meeting for approval.

Article 12. Corporate Governance and Nomination Committee

The Corporate Governance Nomination Committee set up with the Supervisory Board, together with other functions, provides following:

- a) Ensures compliance of the internal governance structure of the Company with the requirements of the legislation regulating corporate governance issues and with the internal rules/documentation of the organization;
- b) Ensures the existence of a decision-making system within the Company, which provides evaluation of reputational risks during decision-making in the Company and full compliance with the legislation and internal standards of the Company.
- c) Gives recommendations regarding new candidates of the Supervisory Board and the Board of Directors. In addition, the Committee shall be actively involved in structural planning process of the Supervisory Board, including the issues of re-electing the members of the Board, considering the requirements of the Company and its business strategy, means, skills of the Board and expert knowledge.
- d) Regularly discusses efficiency and effectiveness of the functions of the Supervisory Board. In addition, the Nomination Committee regularly discusses candidacies of certain positions, such as General Director, Financial Director, as well as reasons for appointing other persons;
- e) Ensures that the adequate policies and procedures existed in a Company regarding the appointment, dismissal and re-election of the members of Board of Directors. In light of the above mentioned issues, the Committee shall be actively involved in the ongoing processes of the Company.
- f) Shall be involved in the process of replacement and evaluation of the efficiency of the Supervisory Board and the Board of Directors, as well as in the process of monitoring human resources policy in the Company.

Article 13. Assessment of the activity of the Supervisory Board

1. In the Supervisory Board broad spectrum of members' skills and experience shall be ensured and this shall be considered in each case of selection of a new member of the Supervisory Board.
2. The Structure size and composition of the Supervisory Board, as well as structure and coordination of the Committees set up with the Supervisory Board, correspondence of each member with legislation and internal requirements of the Company, efficiency of the Board's internal practice and procedures shall be a subject to annual assessment by the Supervisory Board.

3. For the purposes of the evaluation defined by the paragraph 2 of this Article, the Supervisory Board shall have relevant procedures for self-assessment and assessment.

Article 14. Board of Directors

1. Together with the other functions Board of Directors executes business strategies of the Company, creates efficient system of financial and non-financial, including sustainable development, environmental protection, social and governance effective risk management with the Supervisory Board, as well as risk culture, processes and controls, provides the Supervisory Board with the information necessary for fulfilment of the functions. This also includes the information necessary for efficient fulfilment of the function related to the evaluation of the activity of the Board of Directors by the Supervisory Board. Consequently, the Supervisory Board shall be regularly provided with the information regarding important issues and problems of the Company. The above mentioned includes the information that is necessary for the supervisory board to evaluate the activity of the board of directors and to supervise effectively. The board of directors shall regularly pass the information to the supervisory board with respect to the important matters and problems of the company. The Board of Directors of the Company is also responsible for the correct assignment of the functions and duties between the employees of the Company and for creating an efficient governance structure, that shall ensure accountability and transparency within the Company.
2. Functions and responsibilities of the Board of Directors shall be defined by the Charter of the Company in order to avoid unlimited control over business activity by the individuals/group of individuals.
3. The members of the Board of Directors shall have necessary experience, competence and resources to fulfil their functions. In addition, they shall have ability to participate in the relevant training programs to deepen the knowledge of competence and necessary directions. Selection of the members of the Board of Directors is desirable to be carried out based on the recommendations from the previous job and in accordance with the strategy and structure of the company, in each case the qualification and skills of the candidates shall be evaluated.

Article 15. General Director

1. The General Director shall be presented in the structure of every company. The General Director shall be responsible for internal operations, compliance and activity, the general director shall be carry out the connective function between the Supervisory Board and Board of Directors of the Company. The Supervisory Board shall make a decision on appointing the General Director.

2. In order to fulfil their functions properly, General Director shall have enough time, resources, relevant qualification, professional experience, competence and good faith approach to the job and long-term sustainable development of the Company.

Article 16. Independent member of the supervisory board - criteria of the independence

1. During implementation their activities, independent members of the supervisory board shall have the ability to make objective decisions independent of any external influence/potential influence and their enough number shall ensure appropriate discussion/elimination of the issues related to the conflict of interests.
2. At least, following factors might be considered as hindering to the independence, when the person:
 - a) Has ongoing financial, legal, economic or different kind of substantial connection/obligation towards the Company/subsidiary of the Company, Board of Directors or the stockholders/partners holding significant number of stocks;
 - b) Has any direct or indirect material financial interest (for example, such as property, investment) in the Company or in the Subsidiary Company or towards stockholders/partners holding the significant number of stocks/share in these Companies
 - c) During the last two years, had professional or working relationship (including business service) with this Company or its subsidiary/stockholder/partner owning significant number of stocks;
 - d) For the last two years carries/carried out business activities (directly/indirectly) or has/had business relationship with the member of the governing body of the Company or the person owning significant number of stocks/share in the Company;
 - e) Receives any additional remuneration from the Company, except for the fixed payment related to the membership of the Supervisory Board or owning stocks/share;
 - f) Is a family member of the member of the governing body or a family member of the person holding significant number of stocks/share in the Company or its subsidiary;
 - g) Has different kind of relationships, position or any kind of involvement, which may influence the interest of the Company or/and membership of the Supervisory Board/Audit Committee, including personal relationship or business relation with the person owning significant number of stocks/share in the Company or its subsidiary;
 - h) It has been 5 years since appointment on the position of independent member, except for when the organization submits the relevant argumentation that the member should stay as the member of the Supervisory Board;

Article 17. Corporate Secretary

1. A company shall appoint a Corporate Secretary which facilitates implementation of good corporate governance practice. Main functions of the Corporate Secretary are the following:
 - a) In a manner of informative and organizational support, to assist General Meeting, Supervisory Board (including Committees) and Board of Directors in implementation their activities;
 - b) To give advices to the Supervisory Board and the Board of Directors regarding corporative documentation and procedural issues;
 - c) Cooperate closely with the Supervisory Board and the Board of Directors during organizing and sending their agenda, also with the issues related to the organizing and holding the meeting, delivering the notifications;
 - d) To plan necessary trainings and preparatory orientation meetings with the current or newly appointed/selected members of the Supervisory Board and the Board of Directors;
 - e) Keep and maintain all the corporate documents, minutes or other necessary documentation and information for at least 6 years;
 - f) Carry out of connecting role function between stockholders/partners, Supervisory Board and Board of Directors;
 - g) Organize holding of the General Meeting of Stockholders/partners, convening an extraordinary meeting and ensure that all necessary terms and procedures are met to hold the meeting. To guarantee that the person convening the meeting is fully informed about the issues which, according to the requirements of law and Charter, were included in the agenda by the request of stockholders/partners or members of the Supervisory Board and the Board of Directors;
 - h) Ensure compliance with the principles of corporate governance established by the regulatory/supervisory bodies in normative and regulatory documents, also in the Corporate Governance Code adopted by the Company;
 - i) Carry out a role of Secretary of the meetings of the Supervisory Board and the Board of Directors, as well as the General Meeting of the Stockholders/partners and to keep minutes.
2. The Corporate Secretary is person directly supervised by the Supervisory Board, who provides information and organizational support for the governing bodies, stockholders/partners and other interested parties.

3. The Supervisory Board shall in details determine authorities and obligations, the list of functions, necessary education and qualification required for the corporate secretary candidate.
4. The Supervisory Board appoints the Corporate Secretary and defines the terms of the employment contract.
5. The Corporate Secretary shall not be a member of the governing body of the Company, shall have the authority of decision-making, or shall otherwise be related to the Company in such a manner that may impede to fulfil their obligations impartially and independently.

Article 18. Corporate Governance of a Group

1. If the Company is a holding group, Supervisory Board of the Parent Company is responsible for creating and functioning the governance systems in the Subsidiary Company of this holding. This governance system shall follow the structure of the group and its Companies, their business-activity and risks.
2. The Supervisory Board of the Parent Company shall have information about those essential risks and issues that may have some influence on it and its Subsidiary Companies. In addition, the Supervisory Board of the Parent Company shall carry out adequate monitoring over the Subsidiary Companies. In this process legal and managerial responsibilities of the Managing Body of the Subsidiary Companies shall be maintained.
3. Each Supervisory Board and Board of Directors in each Subsidiary Company shall be responsible for maintaining efficient process of risk management within the Company. It is important to facilitate the efficiency of the risk management at the group level by the Company.
4. Governing body of the Parent Company shall evaluate the compliance of the group policies with local legislation and supervisory requirements and if necessary, modify these policies and make certain amendments, when the group policies are not in compliance with the legislative/supervisory requirements or/and it damages the fair and prudential management goals of Subsidiary Company.
5. In order to increase the efficiency the Supervisory Board of the Parent Company shall require periodic independent review of structure, control and activity of the Subsidiary Companies, as well as an information on their approved strategy.
6. The Supervisory Board shall consistently maintain its readiness to carry out relevant reporting to the Supervisory Authority regarding the policies and strategies of the Company.

Chapter III. Risk Management and Internal Control

Article 19. Risk management

1. Supervisory Board is responsible for creating and monitoring a risk management system. It is important that the risk identification, mitigation and monitoring systems of the Company corresponded to the size, complexity and risk profile of the Company.
2. Supervisory Board shall be well aware of the financial reporting situation, risks, including environmental and social risks of the Company, as well as risks on the level of group and business activity, which include analysis of ongoing/current risks as well as issues on identification new and future risks. Based on this, Risk Management Framework of the Company shall be documented, which may be attached to the strategy of the Company, its capital, financial plans and remuneration practices.
3. Risk Management Framework shall be consistent, understandable, considered for short-term, medium-term, long-term perspectives of the Company. Supervisory Board shall review the risk management framework at least once a year.
4. The Company shall have a Risk Management System and approved processes/procedures regarding new products or services, environmental and social issues, business line and large and complex transactions, technologies used and their safety, which requires significant resources or/and its risks are difficult to determine.
5. In case of holding companies, risk identification and assessment approaches shall be presented in Subsidiary Companies too. Risk Management Framework of the Company shall include assessment of the substantial risks arisen from those Subsidiary Companies which carry higher risks and throughout the risk management, shall consider merger and transactions of purchasing significant number of stocks/share and other similar important changes, which are associated with major challenges.
6. Supervisory Board shall regularly review the core policies and controls together with the of Board of Directors and Risks Committee, as well as with the heads of Compliance and Internal Audit, in order to identify and together with them discuss significant risks, issues and needs.

Article 20. Internal control and audit

1. For the purposes of the effective risk management function, it is important for a Company to have sound internal control systems, which, among others, include effective internal audit structural unit, which provides an independent opinion to the Supervisory Board and the Board of Directors, regarding the internal control, risk management, management systems and processes efficiency.
2. The Supervisory Board and the Board of Directors shall ensure the independence and effectiveness of internal audit, which implies:
 - a) Full access of internal audit to the information, records, protocols and other data in the Company.

- b) Maintaining the independence of internal audit while assessing the efficiency and effectiveness of internal control, risk management systems and processes;
 - c) Demanding from the internal auditors to be in full compliance with their internal and international professional standards;
 - d) Sufficient knowledge, skills and resources of internal audit staff for the purpose of effectively conducting activities that shall be in line with the activities and risks of the Company;
 - e) Considering the recommendations of the Board of Directors regarding the audit and timely and effective elimination of the existing deficiencies;
 - f) The Internal Audit Function's assessment of the Company's Total Risk Management Framework, which at least includes however, is not limited to:
 - f.a) Assessment of the effectiveness of risk management and compliance functions;
 - f.b) Assessment of the quality of reporting processes on risks with the Supervisory Board and the Board of Directors;
 - f.c) Assessment of the effectiveness of the internal control system of the Company.
3. The Internal Audit Service shall be accountable to the Supervisory Board and its Audit Committee. The Supervisory Board makes decisions on appointment and dismissal, assessment and remuneration of the Head of Internal Audit Service. Participation of the Board of Directors of the Company in the approval of the remuneration of Internal Audit Employees is inadmissible.
 4. In addition to accountability to the Supervisory Board, the internal audit service shall immediately submit the report to the board of directors regarding the identified problematic issues and evaluation results.
 5. The size and structure of the Internal Audit Service shall comply with the complexity of the goals set for the internal audit and the risks faced by the Company. The Audit Committee of the Company shall give the opportunity to the Internal Audit Service to receive the legal, technical and other consultations and services from external experts.
 6. The Audit Committee shall evaluate the efficiency of the internal control and risk management systems of the Company at least once a year and shall report to the General Meeting of stockholders/partners about this matter.

Article 21. Remuneration

1. The General meeting shall be responsible for approval the amount of remuneration and structure of the governing body.

2. The Company shall have the documented policy of remuneration, which, among others, shall include the relevant sizes of activity, the forms of remuneration and their combinations, including the forms of fixed and variable remunerations, elements of the bonus system and issues of timetables and periodicity of payments.
3. In order to disclose information on the remuneration, a report shall be developed, where the policy of remuneration, the amount of compensation and any benefits of the governing body shall be disclosed. In addition, any alterations that will be made in the remuneration policy after the end of the reporting period, shall be clearly reflected in the remuneration report.
4. The Supervisory Board shall be responsible for monitoring the efficient functioning of the remuneration system defined by the Board of Directors, which will review the plans, processes and outcomes through the Remuneration Committee (if such committee exists) or by itself at least once a year.
5. The Supervisory Board, along with the Remuneration Committee, approves the remuneration policy of the Board of Directors, Internal Audit, Corporate Secretary, and other committees (in case such committees exist), amount and monitors the effective functioning of remuneration policies, system and related control processes.
6. In order to attract, keep them and give them proper motivation, the remuneration of the members of the Board of Directors shall be sufficient but not unjustifiably large. The remuneration of the members of the Board of Directors shall be based on the long-term results of the entire Company, as well as on the results of the activities of individual members. In determining each member's remuneration, their obligations and responsibilities shall also be taken into consideration, including the financial and operational indicators of the Company and positions of competitors in the market.
7. The remuneration of members of the Supervisory Board shall comply with their involvement, obligations, efforts and time resources. Remuneration shall not put their independence under risk. Remuneration of the members of the Supervisory Board shall include only fixed remuneration and shall not include bonuses or a variable component related to achievement of certain financial or operational indicators by the Company.
8. Remuneration Policy shall contain at least the following elements:
 - a) Definitions of fixed and variable component of the remuneration;
 - b) Maximum limit for each component of the remuneration;
 - c) Criteria for determining the efficiency of the members of the governing bodies;
 - d) The relation between the remuneration and the efficiency of the activity;
 - e) Conditions and parameters of the annual bonus scheme;

- f) Other non-cash remuneration (Company stocks, options for purchase of the Company, insurance, pension scheme, etc.)

Chapter IV. Stockholders/Partners and interested parties' rights

Article 22. Rights of stockholders/Partners and effective communication

1. The Supervisory Board and the Board of Directors shall ensure the compliance with the requirements set by the article 9 of the transparency rule, which include the following:
 - a) Ensuring equal treatment towards to each security holder, being in the same positions;
 - b) Making publicly available information regarding the rights of the security holders and regarding the changes in the conditions of the security;
 - c) Making available the necessary measures and information to the security holders to enable them to perform their rights;
2. The Company shall ensure that the stockholders/partners are well aware of the principles of corporate governance and shall give them the relevant explanations in case of deviation from the Code, and also give them the opportunity to express their reasoned opinions. The Supervisory Board shall hold a dialogue with stockholders/partners in case they do not agree with the Company's position considering the size, complexity and risks faced by the company.
3. Stockholders/partners shall be able to protect their rights and request compensation for damages caused to them, in cases defined by legislation.
4. The Company shall ensure to implement a policy of communication and information disclosure with stockholders/partners and potential stockholders/partners. Stockholders/partners shall be able to obtain information from the Supervisory Board and Board of Directors as well as to hold the Extraordinary General Meeting of stockholders/partners in accordance with the relevant legislation.
5. The Supervisory Board and the Board of Directors shall ensure effective and fair communication with stockholders/partners through the General Meeting of stockholders/partners and shall support active participation of stockholders/partners in the General Meeting.
6. The General Meeting shall be led by the Chairperson of the Supervisory Board, in case of his/her absence - the deputy and in case of the deputy's absence - one of the directors. In case of their absence the Chairperson of the meeting shall be elected by the General Meeting with majority of the votes. All members of the governing body, Chairpersons of internal audit and other committees, as well as external auditors shall attend the General Meeting. The Chairperson of the General Meeting shall ensure that the

questions of stockholders'/partners' are answered. The board directors shall answer the stockholders/partners questions, except when the answer might incur the material damage to the company, its stockholders/partners and employees.

7. The company shall ensure to make publicly available the information set by the paragraph 6 of this Article and the minute of the General Meeting.

Article 23. Rights of Stakeholders

1. The Company shall have a relevant stakeholder engagement policy, which considers the interests of stakeholders and provides an adequate level of information disclosure.
2. Company's website shall be functional in order to allow investors and other interested parties to access the financial and other information of the Company, information about including corporate governance and environmental and social governance.
3. Governing body shall ensure that interested parties can freely communicate their opinions about unlawful or unethical practices within the entity and this shall not be the cause for violation of their rights.
4. The Supervisory Board and the Board of Directors shall be aware of the rights and interests of interested parties and provide effective communication with them.

Article 24. The rule of preparing and submission of the Corporate Governance Report

1. The Company shall prescribe the compliance with the Corporate Governance Code in the governance report of the annual financial report prepared in accordance with the subparagraph "b" of paragraph 3 of article 11 and in accordance with the paragraphs 4 and 5 of article 3 of transparency rule, which means, that the company shall fully and clearly prescribe how it is in compliance with the requirements set by the Corporate Governance Code.
2. In the process of prescribing the compliance with the Code the Company shall take into account the following:
 - a) In case the company is in full compliance with the requirements, the company shall prescribe the measures taken for ensuring the compliance with the corporate governance principles;
 - b) In case the company is partially in compliance or is not in compliance with the requirements set by the corporate governance code, the company shall explain the reasons for non-compliance with the principle and it shall provide an alternative, which shall prescribe the measures taken by the

company or the measures that it will take in order to ensure the compliance with the corporate governance requirements.

3. Annex N2 – Compliance Report, Annex N3 – Additional Documentation and Annex N1 – Application Form are attached to The Corporate Governance Code, which shall be signed by the chair of the supervisory board and persons responsible for the company representation as defined by the paragraph 12 of article 11 of the Law of Georgia “on Securities Market”. These persons are responsible for the preciseness and fullness of the material information prescribed by the report according to the Georgian Legislation.

Annexes N2 and N3 shall be prepared in accordance with the following principles:

- a) The Field number 3 of Annex 2 (“requirement compliance: yes, no, alternative”) describes 3 choices. The company shall indicate if it is in compliance with the requirements set by the Code and shall choose the relevant answer in this field;
- b) In the Field N4 of Annex N2 (“Reference to the relevant information disclosed in the annual report (chapter/page)”) the company shall indicate the chapter and page of the relevant information disclosed in the annual report;
- c) In the field N5 of Annex2 (Relevant documentation, which additionally defines the requirements set by the Code) the company shall indicate the relevant documentation, which additionally defines the requirements set by the Code.
- d) Annex N3 provides the documentation that shall be additionally submitted to the National Bank. This Annex requires the Company to indicate if the relevant document is publicly available and in case of positive answer it shall indicate in the next column the relevant address of the publicly available document. In case the document is not publicly available, the company shall submit this information/documentation to the National Bank together with the Corporate Governance Compliance report.