

Pursuant to Article 91 Point 8 of the Law on Banks (Official Gazette of RM no.190/2016), the Audit Committee of Sparkasse Bank Makedonija AD Skopje, on the meeting held on 20.04.2017 adopted the following

## **RULES OF PROCEDURE**

### **for organization and activities of the Sparkasse Bank Makedonija AD Skopje Audit Committee**

#### **General Provisions**

##### **Article 1**

This Rules of Procedure regulates the activities of the Audit Committee, convening of meetings, manner of organization and decision-making, as well as other issues related to the activities of the Sparkasse Bank Makedonija AD Skopje Audit Committee (in the further text: Audit Committee).

##### **Article 2**

The Provisions of these Rules of Procedure are obligatory for the Audit Committee members and for other persons participating in the work of the Committee.

##### **Article 3**

The Audit Committee operates on meetings.

##### **Article 4**

The Bank's Audit Committee operates according to the valid legal provisions, Statute of the Bank and other internal acts of the Bank.

##### **Article 5**

The Bank's Audit Committee is consisted of 6 (six) members, appointed by the Supervisory Board.

The majority of the members of the Audit Committee members are elected from the members of the Supervisory Board, whereas the other members are independent members.

At least one of the Audit Committee members is a certified auditor.

The Audit Committee members elect a Chairman, responsible for the organization of the work of the Audit Committee and Deputy-Chairman of the Committee, from amongst their ranks.

##### **Article 6**

The term of office for the Committee Members is four years.

The Committee Members are obligated to perform their duties fair and with the diligence of prudent executives.

The Committee Members are liable to keep the banking secret of the Bank's operations, which responsibility remains also after the end of the Committee Members' term of office in the Audit Committee.

The Committee Members shall not use their rights in case of conflict of interest as per Article 100 of the Banking Law.

The members of the Audit Committee, apart from the conditions which the persons with special rights and responsibilities are to fulfil, must have knowledge of:

1. the operations of the Bank, its products and services;
2. the risks to which the Bank is exposed;

3. the internal control systems and the risk management policies of the Bank and
4. accountancy and audit.

#### **Article 7**

The Audit Committee shall make self-assessment of its operations from the aspect of individual members and jointly at least once a year.

The Audit Committee shall submit a semi-annual and annual report on its operations to the Bank's Supervisory Board. The annual report contains the self-assessment according to the paragraph 7 of this Article.

#### **Scope of activities:**

#### **Article 8**

The Audit Committee decides upon issues within the scope of activities.

#### **Article 9**

The Audit Committee of the Bank performs the following activities:

1. Reviews the financial statements of the Bank and Management Letter of the auditor and provides for the accuracy and transparency of the published financial information about the operations of the Bank in compliance with the accounting regulations and the international accounting standards;
2. Reviews and evaluates the internal control systems;
3. Monitors the work and evaluates the efficiency of the Internal Audit;
4. Monitors the process of auditing the Bank and evaluates the work of the audit company;
5. Adopts the accounting policies of the Bank;
6. Monitors the compliance of the operations of the Bank with the regulations which adhere to the accounting standards and financial statements;
7. Holds meetings with the Management Board, the Internal Audit and the audit company concerning the determined non-compliances with the regulations and weaknesses in the operations of the Bank;
8. Reviews the reports of the Risk Management Committee;
9. Proposes appointing of an audit company and termination of the contract concluded with the audit company;
10. at least once every three months report to the Supervisory Board on its operations;
11. gives opinions on questions posed by the Supervisory Board;
12. performs other duties in accordance with the laws and bylaws, the Statute and other general acts of the Bank.

#### **Convening meetings:**

#### **Article 10**

The meetings of the Audit Committee are convened on quarterly basis and or more frequently at the request of the Supervisory Board.

The meetings of the Audit Committee are convened by the Chairman of the Audit Committee, and in case of his absence – the Deputy-Chairman of the Audit Committee.

#### **Article 11**

The meetings of the Audit Committee are convened by a written invitation or electronically, accompanied by draft-agenda dispatched by the Chairman of the Audit

Committee, and in case of his absence – the Deputy-Chairman of the Audit Committee, through the Cabinet of the Management Board (hereinafter: the Cabinet).

The day, time and place of meeting are specified in the invitation.

The meeting agenda is being drafted by the Chairman, and in case of his absence – the Deputy-Chairman of the Audit Committee.

#### **Article 12**

Beside the Members of the Audit Committee, also the Members of the Management Board of the Bank are invited to the Audit Committee meetings.

Other employees may be invited to the Audit Committee meeting, from organizational units that cover the issues discussed on the meeting, as well as other experts. With the same purpose the Chairperson may decide to invite employees of Steiermärkische Sparkasse which are included in the daily cooperation with SBM.

#### **Article 13**

Meeting materials, with the invitation and the agenda, are distributed not later than 7 (seven) days prior to the day of meeting, with exceptions – when the materials are distributed in shorter notice or at the time of the meeting.

For certain issues, which are considered urgent, deciding by circulation is foreseen, i.e. the opinions and consents may be obtained via telephone or other communication channel, for which meeting appropriate Minutes of meeting are also prepared.

The Audit Committee Members exercise their voting right in person, through telephone or video conference communication, as well as through written consent.

### **Manner of conducting a meeting of the Audit Committee:**

#### **Session opening:**

#### **Article 14**

The meeting of the Audit Committee is being opened and conducted by the Chairman, and in case of his absence, by the Deputy-Chairman of the Audit Committee.

After the opening of the meeting, the quorum is being established, whether majority of Committee Members are present for fully valid decision-making.

If the necessary quorum for decision making is not provided, the meeting shall be postponed.

Members of the Audit Committee may participate in meetings organized by the use of conference, telephone or by using other audio or visual communication equipment. If during a meeting of the Audit Committee the date of the forthcoming meeting is being agreed, the present Committee Members are considered to be properly invited.

#### **Agenda establishing:**

#### **Article 15**

The meeting agenda is being established prior to the beginning of the meeting.

The agenda may be amended or consolidated by the present quorum.

The Audit Committee may decide to postpone certain issues for the next meeting, for additional reviewing and distribution of materials.

## **Discussion:**

### **Article 16**

The Chairman, or in his absence the Deputy-Chairman of the Audit Committee, opens the discussion in the order of the agenda points.

The reviewing of the materials is usually carried out according to the agenda numbering.

All Committee Members are entitled to participate in the discussion, as well as other invited experts, which provide further explanations upon particular materials.

### **Article 17**

The discussion upon certain points is being conducted until the closing of discussion.

The Chairman, or in his absence the Deputy-Chairman of the Audit Committee, closes the discussion for certain points, since establishing that the discussion has been exhausted, after which the proposal is being formulated for voting.

### **Article 18**

In case of conflict of interest as per Article 100 Banking Law and after having given the prescribed statement by the Committee Member, the Committee Member leaves the meeting and does not participate in the discussion and decision-making for the particular agenda point. The identified conflict is noted in the Minutes.

## **Decision-making:**

### **Article 19**

The proposal set for voting must be formulated clearly and unambiguous.

The voting is public, by raising hand and voting AFFIRMATIVELY, AGAINST and RESTRAINED.

The Audit Committee may decide the voting upon certain issues to be secret or in other manner, which decision shall regulate the detailed manner of conducting of voting.

The quorum of the Audit Committee is appropriate for fully valid decision-making, and the decisions are being adopted with the majority out of the total number of members.

In the case of the equal-split of votes, the vote of the President, in his absence, the vote of his Deputy, is decisive.

Members of the Audit Committee can make decisions without holding a meeting by giving written consent to decisions that are made. Giving consent can be made by signature or by signature sent by fax or electronically on the draft decision.

Decisions shall be considered as adopted if all members of the Audit Committee shall give written consent to the draft - decision.

### **Article 20**

On its meetings, the Audit Committee reviews and adopts:

- decisions;
- reports;
- opinions;
- conclusions;
- recommendations.

#### **Article 21**

The conclusions adopted by the Audit Committee are being conducted by the Management Board, which is responsible for timely implementation. In case of non-implementation, the Management Board must inform the Audit Committee.

#### **Article 22**

The adopted acts are signed by the Chairman, or in his absence the Deputy-Chairman of the Audit Committee.

#### **Minutes taking:**

#### **Article 23**

The Audit Committee determines a person – minutes taker, who shall prepare the meetings, decisions, minutes of meeting, distribution of meeting materials and decisions (for purpose of their implementation), as well as arranging and archiving of the meeting materials.

#### **Article 24**

The Cabinet shall organize the minute's taker and shall prepare and distribute the minutes of meetings, as well as arranging and archiving of the meeting materials. The Minutes of meeting shall contain the following data:

- Day, time and place of Audit Committee meeting;
- Names of Audit Committee members attending;
- Names of other persons attending;
- Determined agenda;
- Discussions, adopted acts and result of the vote;
- Separate opinions and remarks – if requested by some of the Committee Members.

#### **Article 25**

The minutes are to be approved at the start of the next meeting; any corrections are to be requested at the latest then. The Minutes of the Audit Committee meeting are to be signed by all Members of the Audit Committee.

#### **Article 26**

The Minutes of meeting and the materials are of permanent character.

#### **Article 27**

The materials and the other documents deriving the work of the Audit Committee are to be kept in the Management Board Cabinet and in the Bank's archive, according to the Rulebook on office activities and archive materials.

#### **Transitional and final provisions:**

#### **Article 28**

The Chairman or the Deputy-Chairman of the Audit Committee is liable for implementation of the provisions comprised in these Rules of Procedure.

#### **Article 29**

In case one or any of these provisions of the Rules of Procedure are not in compliance with the legislation or any internal acts of the Bank, the legislation and the internal acts of the Bank shall prevail.

**Article 30**

The amending of these Rules of Procedure shall be executed in the same manner and proceeding as for the adoption.

**Article 31**

These Rules of Procedure becomes effective on the day of approval by the Supervisory Board.

Any and all existing Rules of Procedure are hereby replaced and cancelled.

Each member of the Audit Committee receives a copy of the Rules of Procedure and notes them by confirming their receipt in writing.

AUDIT COMMITTEE  
Chairman  
Sava Dalbokov