

BANK OF GEORGIA GROUP PLC POLICY FOR THE PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITOR

1. BACKGROUND

The Audit Committee (the **Committee**) of Bank of Georgia Group PLC (the **Company**) is responsible for establishing a policy for the provision of non-audit services by the Company's external auditor to the Company and its Group (the **Policy**). References to the **Group** shall mean the Company and its subsidiaries and references to the **external auditor** shall also include any member of its network.

The Committee is responsible for approving non-audit services. This Policy specifies the types of non-audit services that are strictly prohibited and those that may be acceptable. For those non-audit services that may be acceptable, the effect of such non-audit services on the financial statements as well as the independence and objectivity of the external auditor will always be assessed by the Committee prior to being approved.

2. NON-AUDIT SERVICES POLICY

- (a) The Committee requires that the following Policy be adhered to when considering whether it is appropriate for the external auditor to be appointed by the Company and in particular to undertake work outside of the scope of their usual and specific annual audit and half-yearly review activities.
- (b) The objective of the Policy is to:
 - at all times maintain external auditor independence and objectivity;
 - clearly set out both acceptable and prohibited non-audit services; and
 - establish a transparent process for the engagement of the external auditor for non-audit services in accordance with established approval requirements.
- (c) From 1 January 2020, fees related to non-audit services will be subject to a cap of 70% of the average of the annual audit fees in the last three consecutive financial years. Annual audit fees, which are subject to Committee approval, are fees for the services that the external auditor would normally be expected to provide as part of its annual external audit programme for the Group and which would, in the normal course of business, be included within its standard terms of engagement.

3. PROHIBITED NON-AUDIT SERVICES

The following non-audit services are prohibited by law from being provided to the Company and its Group by its external auditor, as they have the potential to impair, or appear to impair, the external auditor's independence:

- (a) accounting or book-keeping services;
- (b) actuarial services;
- (c) tax advisory, assurance and compliance services (including any calculations thereof);



- (d) internal accounting and risk management control reviews, including policy reviews and procedure compliance;
- (e) legal and/or litigation support services (other than forensic litigation services);
- (f) internal audit outsourcing services;
- (g) valuation services, appraisals or fairness opinions;
- (h) investment advice, broker-dealer and investment banking services;
- (i) design, implementation and operation of financial information systems (including financial IT systems);
- (j) design and implementation of internal controls related to financial information;
- (k) secondment (or appointment as advisor) to executive management or decision-making, supervisory or ongoing monitoring positions, or any position where the external auditor secondee (or in its capacity as advisor) acts as a director, officer or employee of the Group or any of its decision making entities;
- (l) human resources, recruitment or payroll services (including candidate verification);
- (m) the marketing or underwriting of transactions;
- (n) advising the Remuneration Committee (other than general assistance relating to appropriate levels of disclosures and accounting advice);
- (o) any work where a mutuality of interest is created that could compromise the independence of the external auditor; and
- (p) any other work that is prohibited by UK ethical guidance for auditors or any local law equivalents.

Furthermore, the Company's external auditor must not perform any work for a contingent fee or similar arrangement.

4. ACCEPTABLE NON-AUDIT SERVICES

- (a) The external auditor may be considered for the following types of non-audit services, subject to paragraph 4 b) below:
 - advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters and compliance/governance regulations;
 - financial due diligence for mergers/acquisitions, disposals or joint ventures;
 - assurance reports required by third parties (e.g. regulators, trustees);
 - services associated with registration statements, periodic reports and other documents issued in connection with securities offerings (e.g. comfort letters, agreed-upon procedure letters, and consents);



- agreed upon procedures on specific elements drawn from the financial records and/or related supporting information;
 - transaction related services, including restructuring;
 - secondment into non-managerial roles; and
 - benchmarking services.
- (b) The determination as to whether the external auditor may perform any of the non-audit services listed in paragraph 4 a) above, requires the application of judgement, which includes assessing:
- threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the external auditor's independence and objectivity;
 - the nature of the non-audit services;
 - whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service; and
 - the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the Group audit fee.

5. AUTHORISATION AND REPORTING

- (a) Provided that the Group Chief Financial Officer has applied judgement in accordance with paragraph 4 b) above and concludes that the external auditor is best placed for the provision of a non-audit service listed in paragraph 4 a) above and there are no threats to the external auditor's independence or objectivity, Committee pre-approval is not required for:
- advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters and governance regulations, with a fee up to £50,000;
 - financial due diligence for acquisitions, disposals or joint ventures, with a fee up to £50,000; and
 - transaction related services, including restructuring, with a fee up to £50,000.
- (b) All other acceptable non-audit services not included in paragraph 5 a) above, must be approved in advance by the Committee following recommendation by the Group Chief Financial Officer.
- (c) Referrals to the Committee in accordance with paragraph 5 b) above must be in writing and must contain the following information:
- nature and details of the non-audit services;
 - estimated fees;
 - explanation of why the external auditor is considered the most suitable supplier; and



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- a statement on why the engagement will not impair the external auditor's independence and objectivity.
- (d) A report is to be submitted by the Group Chief Financial Officer, or such other person as may be appointed by the Committee, detailing all of the work undertaken by the external auditor with such regularity and covering such time period as the Committee may request from time to time. The report should include the nature of the non-audit services provided, the related fee and total fees in aggregate and as a percentage of the approved audit fee.
- (e) The Committee will report on the annual amount paid to the external auditor in the Company's Annual Report in respect of audit services, audit-related services and non-audit services and explain how, when the external auditor provided non-audit services, its independence and objectivity was safeguarded. The Committee will also report in the Company's Annual Report on the nature and extent of the non-audit services carried out by the external auditor during the year.

Adopted on 24 February 2018