

## INTERNAL AUDIT CHARTER OF JSC “CREDIT AGRICOLE BANK”

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**INTERNAL AUDIT CHARTER OF JSC “CREDIT ARGRICOLE BANK”**

This version of the Internal Audit Charter comes into force from the moment of its registration.

L.COLIN, Head of Internal Audit Department, shall bring this document to notice of all interested parties.

This Charter replaces “Internal Audit Charter of JSC “CREDIT AGRICOLE BANK” № 3265 dd. 08.07.2021 as well as “Bylaws of Internal Audit Department of PJSC CREDIT AGRICOLE BANK” №2606 dd 30.03.2018. Both documents are henceforth deemed null and void.

**Agreed by:**

Head of Internal Audit Department \_\_\_\_\_ Laurent COLIN

Leading specialist of contractual and litigation work division of Legal Department \_\_\_\_\_ Yuliia HOLUB

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## I. INTRODUCTION

This Audit Charter establishes the framework and principles for Internal Audit Department (hereinafter referred to as “IAD”) of JSC “CREDIT AGRICOLE UKRAINE” (hereinafter, the Bank) with respect to its role as the Bank’s internal auditing function. It does not cover audit procedure and approach, which is dealt with in a separate document entitled “Procedure on Internal Audit Process in JSC CREDIT AGRICOLE BANK”.<sup>1</sup>.

The “Audit Charter” and the “Procedure on Internal Audit Process” constitute the “regulatory internal documents” governing the functioning of the Department and are approved by the Supervisory Board of the Bank.

This Charter is established in compliance with:

- the NATIONAL BANK OF UKRAINE’s regulations and in particular Resolution # 311 – Provisions on Organization of Internal Audit in banks in Ukraine dd. 10.05.2016 amended (and notably Articles 7 & 8);
- Law of Ukraine “On Banks and Banking” dd 07.12.2000;
- Internal Audit standards, defined in the International Standards for the Professional Practice of Internal Auditing ((International Standards) by the Institute of Internal Audit (IIA);
- Audit Committee Charter № 3584 dd 15.09.2023;
- Organization of CREDIT AGRICOLE Group Audit Function;
- Other Ukrainian laws, regulations of the NATIONAL BANK OF UKRAINE and regulatory documents of the Bank.

The Audit Charter is revised annually as required by the professional standards of internal auditing, and presented to Audit Committee before submitting for approval to the Supervisory Board of the Bank.

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<sup>1</sup> This document describes the functioning of the Department and details notably audit planning, conduct of assignment, issuance of reports and recommendations, follow-up of recommendations, internal/external reporting and Department’s Quality Assessment.

## II. IAD’s WORK AND RESPONSIBILITIES

IAD is in charge of Periodic Control system<sup>2</sup> within the Bank and carries out documentary and/or on-site audit assignments.

IAD conducts ‘assurance engagements’, as defined in professional standards. These engagements serve to evaluate:

- the adequacy and effectiveness of the control measures and those intended to ensure the reliability and accuracy of the financial, management and operational information of the audited units or areas;
- the management and the level of risks incurred — i.e. properly identified, recorded, managed, and covered — and not excessive, particularly with regard to such risks as credit (including concentration, dilution and residual value risks), market, liquidity, overall interest rate, intermediation, settlement, money-laundering and terrorism financing and the various components of operational risk, such as internal and external fraud, IT risk, business disruption, legal risk, non-compliance risk, basis risk, systematic risk, risk associated with the model and environmental risk;
- the reliability, efficiency and integrity of the Bank’s information system and process management (including relevance, accuracy, completeness, accessibility, confidentiality and comprehensiveness of data);
- the compliance of operations with applicable laws of Ukraine and regulations of the NATIONAL BANK OF UKRAINE, internal rules and procedures;
- the compliance of procedures with the risk appetite framework, the Bank’s strategy and Management decisions;
- the adequacy, quality and effectiveness of controls carried out and reported by the first and second lines of defense;
- the implementation within a reasonable time of recommendations issued by IAD, local regulatory bodies or external auditors during their missions in the frame of “declarative follow-up” or “half-yearly follow-up campaigns”;
- and to assess the quality and efficiency of the organization’s overall operation.

Through its work, IAD is able to provide the Chief Executive Officer, the Chief Risk Officer and the Chief Compliance Officer of the Bank, the Audit Committee and Supervisory Board as well as the managers and monitoring bodies of the Bank a professional and independent opinion on the operation and internal control systems of the Bank.

IAD may also conduct investigations when substantial internal or external fraud is suspected or proven, or for special assignments linked to issues that do not fall under the classification of the audit plan’s mapping, or as operational support subject to Supervisory Board’s approval.

IAD may as well occasionally carry out consulting missions on its proposal or at the request of the Management or the Supervisory Board and upon approval of the latter. The purpose of these

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<sup>2</sup> As defined under Article 17 of the French Decree of 3 November 2014, which deals with the internal control requirements for banking institutions, payment services companies and investment services firms that are subject to the supervision of the French Prudential Supervision and Resolution Authority (the ACPR) and under Article 16 of the French Decree of 6 January 2021 on the internal control of anti-money laundering, anti-terrorist financing and asset freeze (hereinafter “the Decree of January 6<sup>th</sup> 2021”).

advisory assignments is to propose improvements to the Bank's governance, risk management and control processes.

Within IAD, Regional auditors are more specifically in charge of auditing outlets in the Bank's Network and to evaluate the level of risk inherent to operations performed, analysis of adequacy and efficiency of internal control system and assessment of portfolio quality. They are fully integrated in the Department following the same methodology and approach and contributing to global audit results on a consolidated basis.

### **III. IAD ORGANISATION**

Head of IAD is in charge of the Internal Auditing function.

Head of IAD reports hierarchically to Supervisory Board, directly or through the Audit Committee<sup>3</sup>.

Head of IAD is administratively subordinated to the Chief Executive Officer of the Bank who provides IAD with all appropriate means for exercising duties.

Head of IAD also regularly reports to CREDIT AGRICOLE Group General Inspection (hereinafter referred to as “Group Audit IGL”) notably in the frame of the preparation of the Annual Audit Plan and regular communication of audit results. More broadly, IAD is fully part of Group's Audit Inspection Business Line (AIBL).

Head of IAD appointment is based on Group Audit IGL's proposal/pre-validation of adequate profile and such appointment is approved by the Supervisory Board. He/she cannot be dismissed without Supervisory Board's prior approval. In coordination with Group Audit IGL, the Supervisory Board can also recommend or require the dismissal of the Head of IAD from his/her position. To terminate labour agreement or transfer the Head of IAD without his/her consent, approval of the NATIONAL BANK OF UKRAINE should also be obtained.

Head of IAD's competencies, responsibilities and rights are fully defined in his/her Job Description (ANNEX 1) which is approved and signed by the Chairman of the Supervisory Board of the Bank. To ensure organizational independence of IAD, any regulatory documents of the Department are approved by the Supervisory Board.

In the performance of their functions and tasks, IAD shall observe and apply the standards and procedures of the CREDIT AGRICOLE Group, to which the Bank belongs, provided that such actions are in line with provisions of the laws governing the Bank's activity, its charter and separate resolutions of the Bank's shareholders and do not contradict thereto. Furthermore, the IAD will adhere to the CREDIT AGRICOLE SA Group's organization and model for Internal Control.

Internal auditors are appointed to and dismissed from the position by virtue of the Order of the Chairman of the Management Board upon request of the Head of IAD. Internal auditors are subordinated to the Head of IAD and follow his/her instructions.

Conditions of labor agreements and terms of remuneration of Head of IAD and IAD employees are approved by the Supervisory Board of the Bank based on the proposal submitted by the Remuneration Committee of the Bank and are formed in such a way as not to create a conflict of interest, not to jeopardize independence and impartiality of the Department's activity as well as to facilitate recruitment of professional and qualified staff to the Department. The remuneration of Head of IAD and IAD employees does not include any commercial KPIs.

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<sup>3</sup> See Audit Committee Charter № 3584 dd 15.09.2023.  
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Head of IAD determines the human, budgetary and other resources that IAD needs as limited as possible to conduct its investigations on all the activities within the audit cycle, which shall not exceed five years. Management and Supervisory Board ensure that these resources are allocated.

Annually, Head of IAD certifies to the Supervisory Board acting in total independence and reports on the adequacy of the allocated resources.

#### IV. ACCESS TO INFORMATION AND DISCLOSURE OBLIGATION

IAD determines and specifies the various types of documents and information (such as committee meeting minutes and risk, business activity and management indicators) that it will need to conduct its work. IAD must be able to access such information whenever necessary and shall systematically be provided with any document it considers useful for its work. It must also be allowed to access any staff, IT tools, buildings and data or any other asset it deems necessary, with respect of the Bank's data and information protection rules.

IAD is able to meet with any manager or other employee it believes is capable of providing it with documents or information that may be useful for its work.

#### V. ETHICAL PRINCIPLES

IAD respects and applies the following fundamental ethical principles:

- **Integrity:** The integrity of internal auditors is what enables trust and reliance on their judgement. This is why audit staff cannot also be employed in non-audit jobs or be directors. IAD does not have operational responsibility for or authority over any of the activities audited.

Unless otherwise justified by exceptional circumstances, auditors must wait at least one year before they may be assigned to an activity or department in which they were previously employed. Similarly, IAD staff abstains from being employed in a position of responsibility in a Department they have audited until at least one year thereafter, except in any duly justified situation.

- Lastly, like all employees, auditors have a whistle-blowing obligation.
- **Objectivity:** When gathering, evaluating and communicating information about a given business activity or process, internal auditors must demonstrate the highest level of professional objectivity. They make a balanced assessment of all relevant circumstances and their judgements must not be unduly influenced by others or by their own interests. The opinions expressed shall, therefore, be the result of a careful documentary analysis and/or on-site analysis of the audited entities and be based on “evidence”, i.e. tests, surveys, etc. In order to ensure unbiased and objective audit approach, regular rotation of internal auditors should be ensured.
- **Confidentiality:** Internal auditors respect the value and ownership of any information they receive and not disclose such information without appropriate authority unless there is a legal or professional obligation to do so. They apply the rules defined by CRÉDIT AGRICOLE Group and the Bank regarding data and information protection. This obligation of confidentiality continues to apply after an auditor has changed jobs or employers.
- **Competence:** Internal auditors must have and apply the knowledge, skills, and experience their work requires. In this respect, they shall continually seek to improve their competence and the quality and efficiency of their work.
- **Transparency:** IAD staff informs auditees of their audit opinions in the audit report and of the auditees' right or obligation to respond to recommendations.

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Moreover, internal auditors immediately inform their superiors and the Compliance function of any potential or proven conflicts of interest that would prevent them from exercising their responsibilities impartially.

Generally speaking, IAD auditors comply with the Bank’s Ethics Charter and with the mandatory guidance of the International Professional Practices Framework of Internal Auditing (IPPF), in particular the Core principles for the professional practice of internal auditing, the Definition of internal auditing, the Code of ethics and the International standards for the professional practice of internal auditing (of the IIA – Institute of Internal Auditors).

### **VI. PROFICIENCY AND DUE PROFESSIONAL CARE**

Head of IAD should meet qualification and other eligibility criteria<sup>4</sup> defined by the NATIONAL BANK OF UKRAINE and his/her profile has also to be in line with Group Audit IGL’s requirements.

Internal auditors should possess knowledge, skills and other competencies needed to perform their individual duties. They aim to comply with the International Standards for the Professional Practice of Internal Auditing and with criteria defined by the NATIONAL BANK OF UKRAINE<sup>5</sup>.

In order to maintain professional competence, in cooperation with Human Resources Department of the Bank, a regular and adequate training is provided to IAD’s employees and defined in an Annual training Plan. This program notably includes training session provided by Group Audit IGL and should encourage certification of auditors.

### **VII. RELATIONS WITH GOVERNANCE BODIES**

Head of IAD is a standing invitee of the Management Board, the Internal Control Committee and the Compliance Committee without voting rights<sup>6</sup> as invitee. He/she can also attend the Supervisory Board and the Risk Committee and any other internal committees when he/she considers necessary to attend

Head of IAD submits for approval the Annual Audit Plan to Audit Committee/Supervisory Board. He/she also informs Audit Committee/Supervisory Board about audit work, and in particular, of the execution of the Annual Audit Plan, the main conclusions of audit assignments based on audit reports<sup>7</sup> and the implementation of corrective actions. He or she also reports on any changes in IAD’s resources and in the key internal auditing performance indicators. Head of IAD communicates to Management the final reports of the missions on request.

As for interactions/reporting to the Supervisory Board, Head of IAD has to inform the Supervisory Board in writing in case of detection of level of risk unacceptable for the Bank or circumstances preventing auditors from performing their duties or in cases of interference of the Bank’s officials into the Department’s activity.

Head of IAD is entitled to convoke an extraordinary meeting of the Supervisory Board.

### **VIII. RELATIONS WITH OTHER CONTROL FUNCTIONS AND EXTERNAL AUDITORS**

IAD coordinates its work with two other control functions of the Bank: Risk and Compliance Departments. This mainly involves:

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<sup>4</sup> See ANNEX 1 – Job Description of Head of IAD.

<sup>5</sup> To have professional degree, at least one year of experience within the banking system, impeccable business reputation, absence of violations of banking laws and / or regulations of the NATIONAL BANK OF UKRAINE while working in banks.

<sup>6</sup> Audit interactions with these committees are described within Procedure on Internal Audit Process in JSC CREDIT AGRICOLE BANK.

<sup>7</sup> Audit reports are prepared in line with Procedure on Internal Audit Process in JSC CREDIT AGRICOLE BANK  
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- providing these functions with a partial or complete audit report, depending on the nature of the audit,
- taking into account the risk maps and indicators of the Risk and Compliance functions when preparing its own risk map and planning assignments,
- assisting in cases where significant fraud is suspected and conducting the necessary investigations,

In particular, IAD takes part in the preparation of annual and interim reports on internal control system functioning and risk oversight submitted for approval to the Internal Control Committee of the Bank and reported to CREDIT AGRICOLE Group.

In line with the requirements of the effective Ukrainian law, IAD also interacts on audit issues with state government bodies that exercise, within their remit, oversight of the Bank’s activity. This especially includes the NATIONAL BANK OF UKRAINE (notably in the frame of half-yearly reporting on audit results as well as communication of the Annual Audit Plan<sup>8</sup>).

Head of IAD has also to inform the NATIONAL BANK OF UKRAINE in writing of major violations and weaknesses in the Bank’s operations detected in the course of audit, if the Management Board failed to respond to these weaknesses in a timely manner and the Supervisory Board left the audit report without consideration or failed to take actions accordingly.

Finally, IAD ensures information exchange with Bank’s External Auditors, in particular through meetings, when requested, giving them, when requested, on-site access to final assignments’ reports.

**IX. COMPLIANCE WITH PROFESSIONAL STANDARDS**

IAD implements a continuous quality assurance and improvement program to ensure compliance with the standards of the profession based on the International Reference Framework for Professional Practices in Internal Auditing (CRIPP) defined by the Institute of Internal Audit (IIA).

This program materializes in particular through the achievement of<sup>9</sup>:

- A self-assessment at least every three years ;
- An external audit at least every five years.

The Head of IAD communicates once a year to the Audit Committee/Supervisory Board the results of the quality assurance and continuous improvement program, and, where applicable, the results of internal and external assessments, along with action plans and the status of recommendations.

**X. DOCUMENTS HISTORY**

Covering documents	Procedure on Internal Audit Process in JSC “CREDIT AGRICOLE BANK”
Person responsible for document maintenance (full name, contact phone number, email)	Yelizavieta Finiok, Specialist of Internal Audit Department (int. 604, <a href="mailto:Yelizavieta.FINIOK@credit-agricole.ua">Yelizavieta.FINIOK@credit-agricole.ua</a> )
Date of amendments/supplements	

<sup>8</sup> See Internal Audit reporting - Procedure on Internal Audit Process in JSC CREDIT AGRICOLE BANK

<sup>9</sup> Process and content of such assessment are described in Procedure on Internal Audit Process in JSC CREDIT AGRICOLE BANK

## INTERNAL AUDIT CHARTER OF JSC "CREDIT AGRICOLE BANK"

Amendments/supplements made by	Internal Audit Department
Number of paragraphs that have been changed and/or supplemented	New document