



European Merchant Bank UAB

Charter of Supervisory Board

I. INTRODUCTION

- 1.1. This Charter addresses general principles and overall responsibilities regarding governance of the Supervisory Board of the European Merchant Bank UAB (hereinafter referred to as the 'Bank').
- 1.2. In addition to complying with this Charter and any applicable rules, protocols and shareholders decision, the Supervisory Board shall ensure that there is an atmosphere of cooperation and agreement, characterized by mutual supportiveness, in order to support the individual and shared responsibilities of the Supervisory Board members.
- 1.3. Any term used in this Charter shall have the same meaning or definition as in the Articles of Association (hereinafter referred to as the 'AoA'). In the event of any discrepancies between this Charter and the AoA, the terms of the AoA shall prevail.
- 1.4. Issues related to the activities of the Supervisory Board, but not mentioned in this Charter shall be resolved in the manner prescribed by laws.

II. SUPERVISORY BOARD

- 2.1. The Supervisory Board is a collegial body performing supervision of the activities of the Bank.
- 2.2. The Supervisory Board shall consist of 5 members. The Supervisory Board shall be elected by the Shareholders' Meeting for the tenure of 1 years.
- 2.3. The Supervisory Board shall elect its Chairperson, who shall organise the work of them Supervisory Board, from among its members.
- 2.4. Following persons may not be elected as members of the Supervisory Board:
 - 2.4.1. CEO of the Bank and Deputy CEO of the Bank,
 - 2.4.2. members of the Management Board of the Bank,
 - 2.4.3. employees exercising internal control functions,
 - 2.4.4. auditors,
 - 2.4.5. persons who may not hold this position under the Applicable Law.

III. SHAREHOLDERS MEETINGS AND SUPERVISORY BOARD TASKS

The Supervisory Board shall:

- 3.1. consider and, having prior consent of the Shareholders' Meeting, approve Bank's business strategy,

- 3.2. analyse and assess information on implementation of Bank's business strategy; submit the mentioned information to the Shareholders' Meeting,
- 3.3. elect and remove members of the Management Board,
- 3.4. supervise activities of the Management Board and the CEO of the Bank,
- 3.5. submit its comments and proposals to the Shareholders' Meeting on the Bank's set of annual financial statements, draft of profit/loss distribution and the annual report of the Bank as well as the activities of the Management Board and the CEO of the Bank,
- 3.6. submit to the Shareholders' Meeting its comments and proposals regarding a draft decision on the allocation of dividends for a period shorter than the financial year and the set of interim financial statements and the interim report drawn up for the purpose of adoption of the decision,
- 3.7. approve business plans of the Bank,
- 3.8. approve credit policy and establish procedure on lending which must be implemented only upon an approval of the Supervisory Board of the Bank,
- 3.9. make credit decisions regarding loans with amounts above the threshold level defined in "Credit Decision Making and Authorization Policy".
- 3.10. ensure that the Bank has an effective internal control system,
- 3.11. supervise enforcement of remuneration policy,
- 3.12. on regular basis review and assess internal policies of the Bank in order to ensure that managing bodies of the Bank timely and effectively determine, assess, and control risks of the Bank and Bank's activities,
- 3.13. submit proposals to the Management Board and CEO of the Bank to recall their decisions which do not comply with the applicable laws, Articles of Association of the Bank or decisions of the Shareholders' Meeting,
- 3.14. review and assess information obtained from the managing bodies of the Bank regarding possible or actual risks to the Bank and Bank's activities, and, if necessary, propose actions or instruct other bodies of the Bank what actions must be taken to avoid and control risks or damages,
- 3.15. issue prior consent to the decision of the CEO to issue procurations,
- 3.16. consider and resolve other matters which are assigned to the competence of the Supervisory Board in accordance with the applicable laws and the Articles of Association,

3.17. if there is not a separately established Risk Committee of the Bank, act as Risk Committee of the Bank pursuant to the Article 36 of the Law on Banks titled “Committees of a Bank” and EBA Guidelines on Internal Governance, accordingly. The Supervisory Board, in the role of Risk Committee, shall:

- (I) monitor the Bank’s overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the institution,
- (II) oversee the implementation of the institution’s risk strategy and the corresponding limits set,
- (III) oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of the Bank (including reputational risk), in order to assess their adequacy against the approved risk appetite and strategy,
- (IV) recommend to CRO or Management Board on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Bank, market developments or recommendations made by the risk management function,
- (V) review a number of possible scenarios, including stressed scenarios, to assess how the Bank’s risk profile would react to external and internal events,
- (VI) oversee the alignment between all material financial products and services offered to clients and the business model and risk strategy of the Bank. Assess the risks associated with the offered financial products and services and take into account the alignment between the prices assigned to and the profits gained from those products and services;
- (VII) assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken.

3.18. if there is not a separately established Nomination Committee of the Bank, act as Nomination Committee of the Bank pursuant to the Article 37 of the Law on Banks titled “Committees of a Bank”. The Supervisory Board, in the role of Nomination Committee, shall:

- (I) identify, recommend and approve Management Board candidates,
- (II) dismiss Management Board members,
- (III) approve recruitment and dismissal of 1st level senior manager (CEO), 2nd level managers (Deputy CEOs) and 3rd level C position managers (as depicted in organizational chart),
- (IV) authorize Head of Administration for the selection, appointment and dismissal of eligible candidates for any positions within the Bank not mentioned in item IV of this section,
- (V) authorize Head of Administration to execute dismissal function in the name of Nomination Committee for 2nd and 3rd level of managers upon decision taken by Supervisory Board for each specific case. For other positions in the organization chart, Head of Administration can execute the dismissal without any further need of a decision by Supervisory Board,
- (VI) authorize Human Resources to execute dismissal in the case of 1st level manager (CEO). The resolution of the decision should indicate this authorization,
- (VII) assess the balance of skills, knowledge and experience in the bank's body, prepare a description of the functions and abilities required for the specific position and assess the time required to perform the position,

- (VIII) at least annually evaluate the balance of knowledge, skills, diversity and experience of the individual Management Board members (and the Head of Administration, where applicable) and of Management Board collectively,
- (IX) decide on a target for the representation of the underrepresented gender in the bodies of the Bank and prepare a plan on how to increase the number of the underrepresented gender in order to meet that target,
- (X) assess the structure, size, composition and performance of the Management Board (and the Head of Administration, where applicable) and make recommendations with regard to any changes,
- (XI) make proposals to Management Board in order to ensure that the opinion of an individual member of the Management Board or a small group of members cannot be central to the decisions of the Management Board that could harm the interests of the Bank.
- (XII) exercise the right of the Supervisory Board to initiate convocation of the General Meeting of Shareholders and submit relevant application to Management Board to convene the meeting where assessment of particular member of the Supervisory Board confirmed that the latter is no longer suitable to take its position, when such Supervisory Board member is not willing to resign.

3.19. By carrying out functions of the Risk Committee and the Nomination Committee, the Supervisory Board shall:

- (I) have access to all relevant information and data necessary to perform its role, including information and data from relevant corporate and control functions (e.g., legal, finance, human resources, IT, risk, compliance, audit, etc.),
- (II) receive regular reports, *ad hoc* information, communications and opinions from heads of internal control functions concerning the current risk profile of the Bank, its risk culture and its risk limits, as well as on any material breaches that may have occurred, with detailed information on and recommendations for corrective measures taken, to be taken or suggested to address them,
- (III) periodically review and decide on the content, format and frequency of the information on risk to be reported,
- (IV) where necessary, ensure the proper involvement of the internal control functions and other relevant functions (human resources, legal, finance) within their respective areas of expertise and/or seek external expert advice.

3.20. By carrying out functions of the Risk Committee and the Nomination Committee, the Supervisory Board shall collaborate with other committees whose activities may have an impact on the risk strategy and regularly communicate with the Bank's internal control functions, in particular the risk management function. The Supervisory Board must examine whether incentives provided by the remuneration policies and practices take into consideration the institution's risk, capital and liquidity and the likelihood and timing of earnings.

IV. SUPERVISORY BOARD MEETINGS

4.1. Meetings of the Supervisory Board shall be convened and held in accordance with the following rules:

4.1.1. first meeting of newly elected Supervisory Board shall be convened by the CEO of the Bank. The CEO shall propose agenda of the first meeting of the Supervisory Board.

4.1.2. regular meetings of the Supervisory Board shall be held at least on quarterly basis. The chairman of the Supervisory Board shall convene the regular meetings of the Supervisory Board.

4.1.3. meetings of the Supervisory Board shall be convened by the Chairperson of the Supervisory Board or by the decision of not less than 1/3 of the members of the Supervisory Board.

4.1.4. notice on the convening of meetings on the Supervisory Board and agenda of the meeting shall be sent via emails provided to the Bank by the members of the supervisory Board at least 5 (five) business days prior to the day of the meeting of the Supervisory Board. The meetings of the Supervisory Board may convene without observing the above time limits if all members of the Supervisory Board agree thereto.

4.1.5. members of the Supervisory Board shall be entitled to add items on the agenda of the meeting by written notice sent via e-mail to the other members of the Supervisory Board not later than 2 (two) business days prior to the meeting of the Supervisory Board.

4.1.6. materials for the upcoming meeting of the Supervisory Board shall be provided to the members of Supervisory Board not later than 2 (two) business days prior to the meeting. Materials and agenda of the meeting may be provided to the members of the Supervisory Board without observing the above time limits provided that all members of the Supervisory Board agree thereto.

4.1.7. meetings of the Supervisory Board may take place in the Republic of Lithuania or abroad. Meetings of the Supervisory Board may also be held via teleconference, videoconference or other similar mean if it is possible to verify identities of participants and ensure safety of transferred information.

4.1.8. meetings of the Supervisory Board shall be headed by the chairman of the Supervisory Board unless the Supervisory Board elects another person to head the meeting;
4.1.9. meeting of the Supervisory Board shall have quorum if more than ½ (half) of the members of Supervisory Board are present.

4.1.10. members of the Supervisory Board who are acquainted with the agenda of the meeting and other related material shall have a right to vote in advance in writing. Voting via e-mail shall be deemed to be proper voting in writing in advance. Members of the Supervisory Board who have voted in advance shall be deemed to be present at the meeting.

4.1.11. during the voting, each member of the Supervisory Board shall have one vote. A decision is adopted if more members of the Supervisory Board vote in favour of the decision than against. In case votes in favour of and against the decision are divided equally, vote of the chairman of the Supervisory Board shall be decisive. In case the chairman of the Supervisory Board is not attending the meeting or does not vote, the decision shall be deemed to be not adopted in situations where votes in favour of and against the decision are divided equally.

4.1.12. decision to elect or recall a member of Management Board shall be adopted by at least 2/3 (two thirds) of votes of the members of Supervisory Board.

4.1.13. minutes shall be kept of every meeting of the Supervisory Board. The minutes of Supervisory Board meeting shall be taken by the secretary of the meeting to be appointed by the Supervisory Board before each meeting. The minutes of a meeting must:

4.1.13.1. specify the venue and time of the meeting, members of the Supervisory Board attending the meeting, the chairman of the meeting, information on whether the meeting has a quorum, the agenda of the meeting,

4.1.13.2. present the substance of every issue considered at the meeting, specify the documents and information on the basis whereof every issue is considered, submit a report on speeches of the persons attending the meeting and on proposals made on every issue considered at the meeting, a record of the results of voting and decisions taken and attach the individual opinions and protests of the persons attending the meeting.

4.1.14. the minutes shall be signed by the chairman and the secretary of the meeting of the Supervisory Board,

4.1.15. the documents submitted when considered issues on the agenda of a meeting of the Supervisory Board shall be attached to the minutes of the meeting of the Supervisory Board,

4.1.16. all members of Supervisory Board, including those who did not attend a meeting of the Supervisory Board, shall be granted access to the minutes of the meeting within 5 (five) business days or, where is impossible, as soon as the circumstances permit. A member of the Supervisory Board, where he/she does not agree with the decisions taken at the meeting, shall be allowed to declare his/her protest in writing to Supervisory Board.

4.1.17. secretary of the meeting of Supervisory Board shall be entitled to solely issue and sign extracts from the minutes of the meeting of the Supervisory Board.

4.1.18. every member of the Supervisory Board must take all possible measures to ensure that the Supervisory Board decides on the issue within the limits of its powers and that the decisions meet the requirements set of the Applicable Law. A member of the Supervisory Board shall be held liable for nonfeasance or misfeasance of this duty or other duties set forth by the Applicable Law.

4.1.19. members of the Supervisory Board of the Bank shall be entitled to receive any and all documents and information related to The Bank.

4.1.20. issues related to the activities of the Supervisory Board not discussed in the Regulations shall be resolved in the manner prescribed by laws.

V. REVIEW

5.1. This Charter is reviewed, updated, and approved by the Supervisory Board following the proposals of the Chairman at least once per year or more often if there is a major change in the regulatory framework.

5.2. All the employees of the Bank shall be entitled to get familiarized with this Charter.