

**To special closed-end type real estate investment company INVL Baltic Real Estate
Gynėjų g. 14, Vilnius**

**SPECIAL CLOSED-END TYPE REAL ESTATE INVESTMENT COMPANY „INVL BALTIC REAL
ESTATE” AUDIT COMMITTEE ACTIVITY REPORT FOR THE FINANCIAL YEAR 2023**

20 March 2024, Vilnius

GENERAL PART

The Audit Committee (hereinafter – the Committee) of special closed-end type real estate investment company „INVL Baltic Real Estate” (hereinafter – SUTNTIB „INVL Baltic Real Estate” or the Company) was formed by the decision of the General Meeting of Shareholders on the 29th of April 2021.

The Committee works in accordance with the laws of the Republic of Lithuania, the Articles of Association of SUTNTIB „INVL Baltic Real Estate” and Regulations of the Audit Committee of Special closed-end type real estate investment company „INVL Baltic Real Estate” (hereinafter – the Regulations), approved by the decision of the General Meeting of Shareholders on 11th of April 2017.

COMPOSITION OF THE COMMITTEE

SUTNTIB „INVL Baltic Real Estate” (previous name AB „Invalidos Nekilnojamojo Turto Fondas”, code 152105644) is a joint stock company registered in the Republic of Lithuania. It was established on the 28th of January 1997. On the 17th of August 2015 the parent entity AB INVL Baltic Real Estate (code 30329973) was merged to the Company, which continued its operations under the name AB „INVL Baltic Real Estate”. On the 10th of November 2016 the Company was registered in the Register of legal entities as SUTNTIB „INVL Baltic Real Estate”.

On the 22nd of December, 2016 after the board of supervisory authority – the Bank of Lithuania had issued the licence to the Company for a closed-end investment company, all rights and obligations of the management body of the Company were assumed by the management company UAB „INVL Asset Management“, company code 126263073 (hereinafter – the Management company).

Tomas Bubinas and Danguolė Pranckėnienė were appointed as the independent members of the Committee of SUTNTIB „INVL Baltic Real Estate” for a four-year term by the decision of the General Meeting of Shareholders of SUTNTIB „INVL Baltic Real Estate” held on the 29th of April, 2021.

The members of the Committee meet the qualification and experience requirements set out in the Regulations:

- an independent member of the Committee has an university degree in economics and more than three years work experience in the field of accounting;
- an independent member of the Committee has an university degree in economics and more than three years work experience in the field of audit.

Information and data which prove qualification and experience of the members of the Committee were submitted to the General Meeting of Shareholders on the 29th of April 2021.

The independent members of the Committee comply with main criteria set out in the Regulations which are used for identifying whether a member of the Committee can be considered as independent:

1. he/she is not and has not been for the last five years a manager of the Management company of the Company or the associated companies (as they are defined in clause 24 of Description on requirements for audit committee (hereinafter – Description) approved by the board of the Bank of Lithuania in 2017 January 24 Resolution No. 03-14);
2. he/she is not and has not been for the last five years an employee of the Company or the associated companies;

3. he/she is not receiving and has not been receiving significant, compared to the remuneration received by the member of the Committee, additional remuneration from the Company or the associated companies other than remuneration of a member of the Committee and/or member of the supervisory body;
4. he/she is not a controlling shareholder and is not a representative of such shareholder;
5. he/she does not have and has not had any material business relations with the Company or associated company within the past year directly or as a partner, shareholder or a member, managing employee of the subject having such relationships (a subject is considered to have business relations when it is a major supplier or service provider (including financial, legal, advisory and consulting services), major client or organisation receiving significant part of the income from the Company or its group);
6. he/she is not and has not been for the last three years a partner or employee of the current or former external audit company of the Company or the associated companies;
7. he/she has not been in the position of a member of the Committee of the Company for more than 12 years;
8. he/she is not a close relative to the managers of the Management Company of the Company or to any person specified in paragraphs 1 – 7 above (a spouse (partner), children (adopted children), parents (adoptive parents), brothers (stepbrothers) and sisters (stepsisters) are considered to be close relatives).

FUNCTIONS AND PROCEDURE OF WORK OF THE COMMITTEE

The main functions of the Committee:

1. to inform the Management Company of the Company about the results of the audit of financial statements and explain how this audit has contributed to the credibility of financial statements and what role has been performed therein by the Committee;
2. to monitor the financial reporting process and submit recommendations regarding ensuring of its credibility thereof;
3. to monitor the effectiveness of the Company's internal quality control and risk management systems affecting the financial statements of the Company and internal audit, without prejudice to the independence of the internal audit;
4. to monitor the audit of annual financial statements and consolidated financial statements with a particular focus on its performance, paying attention to the deficiencies of the audit of financial statements identified during the audit of the Company and to the conclusions drawn;
5. to review and monitor the independence of auditors and audit companies seeking to avoid conflicts of interest;
6. be responsible for carrying out the procedure of selection of the auditor or the audit company and the submission of a recommendation for the appointment of the auditor or the audit company;
7. to submit recommendations to the General Meeting of Shareholders of the Company related to selection, appointment, repeated appointment and revocation of external audit company and terms of agreement with external audit company;
8. to monitor and evaluate whether process of the financial statements audit is effective.

The work of the Committee is organized taking into account the specifics of the activity of the Company, external factors and changes in legal environment.

The right of initiative of convoking the meetings of the Committee is held by both members of the Committee. Usually the time of the meetings is combined with discussion of preparation process of financial and audit (including intermediate financial statements) statements.

During the reporting period the Committee discussed all questions collegially.

Managers of the Management Company have cooperated with the members of the Committee, introduced with the activity of the Company, provided with detailed information regarding the specific peculiarities of accounting, finance and activity of the Company, informed about methods of settlement for important and unusual transactions when the settlement may be accounted for in several different ways, provided with other information which is necessary to carry out the functions of the Committee properly.

The Committee has received information regarding all questions of the external audit from the Management company of the Company on time.

THE ACTIVITY OF THE COMMITTEE IN FINANCIAL YEAR 2023

Monitoring of the financial statements' preparation process.

Without prejudice to the responsibility and rights of the administration, management of the Management Company also the external audit company, the Committee, *inter alia*, observed the Company's financial statement (including intermediate) preparation process.

The members of the Committee were informed about any possible non-compliance with the accounting policies or problems of disclosure, a regular two-way dialogue between the members of the Committee and persons, responsible for preparing financial statements took place, information regarding work of independent audit was received.

The Company pays enough attention and resources to ensure timely implementation of all legislative changes governing the preparation of financial statements.

The members of the Committee, after familiarizing with the audited set of annual financial statements for the year 2023 and audit report for the Committee, hearing from Head of alternative funds accounting of the Management Company about the preparation process of the above mentioned statements and problems related hereto and discussing with Company's auditors the audit process and issues arisen, recommended to the Company's Management Company to submit audited set of annual financial statements for the year 2023 and consolidated financial statements to the General Meeting of Shareholders of the Company, which will be held in April 2024.

Monitoring of the efficiency of internal control and risk management systems.

Without prejudice to the rights and responsibility of the administration, management of the Management Company and the external audit company, the Committee monitored the effectiveness of internal control and risk management systems having impact on the financial statements of the Company and assessed the need of internal audit function in the Company.

The Management Company by performing management functions of the Company in year 2023 has ensured the functioning of risk management and internal control instruments.

Monitoring the process of external audit.

Without prejudice to the rights and responsibility of the administration, management of the Management Company and the external audit company, the Committee, *inter alia*, monitored the process of external audit.

Management of the Company's Management Company as well as audit company provided the members of the Committee with information about the process of external audit of the Company's financial statements for the year ended 31 December 2023.

The main issues of the audit for year 2023 discussed with the auditors were: (i) estimating the fair value of the investment properties of the Group and the Company (ii) provision for the success fee (iii) preparation of the annual financial reports of the Company in XHTML format according to the Commission delegated regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format.

Selection, independence and objectivity of external auditor and the audit company.

The Committee reviewed and observed an independence of external auditor and the audit company first of all in relation to provision of additional services to the audited subject.

On 19 March 2024 the Committee reviewed statements from the audit company for non-audit services provided and that the audit company UAB "PricewaterhouseCoopers" is independent of SUTNTIB „INVL Baltic Real Estate" during performance of financial statements' audit for year 2023. The members of the Committee confirm that:

a) No non audit services were provided by the audit company in 2023;

b) Rasa Selevičienė and (or) the audit company – UAB “PricewaterhouseCoopers” are not directly or indirectly related to the Company and there are no grounds which could harm the independence of the auditor and (or) the audit company;

c) Rasa Selevičienė is considered to be independent of the Company since:

- she is not linked by family relations with the Company’s or its significant subsidiaries’ participants, managers, chief accountant (accountant) or any other employees of the Company or its significant subsidiaries, that may have a direct and significant influence on the preparation of financial statements, executives of the Company or its significant subsidiaries;
- she is not linked by close relations with the Company’s and/or its significant subsidiaries’ participants, in accordance with the criteria set out in the audit firm’s quality control policies and procedures, having a material impact on the Company or its significant subsidiaries, managers, chief accountants (accountant) or any other employee of the Company or its significant subsidiaries that may have a direct and significant influence on the preparation of financial statements, executives of the Company or its significant subsidiaries;
- she is not an employee of the Company or its significant subsidiaries and during the period covered by the audited financial statements has not been an employee of the Company or its significant subsidiaries that may have a direct and significant influence on the preparation of financial statements;
- she is not and has never been a participant of the Company or its significant subsidiaries and during the period covered by the audited financial statements has not been a participant of the Company or its significant subsidiaries;
- she or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of the Company, except for interests indirectly held under diversified collective investment schemes;
- she or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of any entity associated with the Company, which ownership may cause a conflict of interests or is usually expected to cause it, except for interests indirectly held under diversified collective investment schemes;
- other than grounds specified above does not have and does not receive material and direct benefit of any financial instruments issued, guaranteed or otherwise supported by the Company, except for interests indirectly held under diversified collective investment schemes, including managed funds, and does not participate in any transaction on any financial instrument;
- during the period of carrying out the audit of financial statements of the Company and during the periods covered by the audited financial statements, has not had work, business or other relations which may cause a conflict of interest, as described in the Code of Ethics of Professional Accountants, or is usually expected to cause it;
- she is not influenced by other significant conditions that might affect her independence.

d) UAB „PricewaterhouseCoopers” is considered to be independent of the Company and its significant subsidiary companies since:

- neither the Company nor its significant subsidiaries are participants of the audit company;
- the audit company, participants of the audit company and executives, with the exception of executives who do not provide services to the Company or its significant subsidiaries are not participants of the Company or its significant subsidiaries;
- participants of the audit company and executives, with the exception of executives who do not provide services to the Company or its significant subsidiaries, are not linked by family relations with the Company’s or its significant subsidiaries’ participants or by close affiliation with the Company’s or its significant subsidiaries’ participants, in accordance with the criteria set out in the audit firm’s quality control policies and procedures, having a material impact on the Company or its significant subsidiaries;
- it or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of the Company, except for interests indirectly held under diversified collective investment schemes;

- it or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of any entity associated with the Company, which ownership may cause a conflict of interests or is usually expected to cause it, except for interests indirectly held under diversified collective investment schemes;
- other than grounds specified above does not have and does not receive material and direct benefit of any financial instruments issued, guaranteed or otherwise supported by the Company, except for interests indirectly held under diversified collective investment schemes, including managed funds, and does not participate in any transaction on any financial instrument;
- during the period of carrying out the audit of financial statements of the Company and during the periods covered by the audited financial statements, has not had work, business or other relations which may cause a conflict of interests, as described in the Code of Ethics of Professional Accountants, or is usually expected to cause it;
- it is not influenced by other significant conditions that might affect its independence.

e) The payment for the performance of the audit, defined in the agreement with the audit company, in the opinion of the Committee ensures that the audit will be performed according to the principles of professional ethics and requirements of international standards of audit. There are no indefinite conditions set in the agreement concluded with the audit company, which could influence the amount of payment for the audit services. The payment for other services, rendered by the same audit company, does not influence the payment for the audit services.

Chairman of the Committee:

Tomas Bubinas

Member of the Committee

Danguolė Pranckėnienė