

Regulations of the Audit committee of Invalda INVL, AB

GENERAL PART

1. Following audit committee regulations (hereinafter referred to as – the Regulations) of public limited liability company Invalda INVL (hereinafter referred to as – the Company) defines formation of audit committee and work procedures, rights and obligations, requirements for education and professional experience, principles of independence and other issues related to formation of audit committee and organization of its work.
2. Legal basis of regulations – Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission decision 2005/909/ec (hereinafter referred to as – the Regulation), Law on financial audit of the Republic of Lithuania (hereinafter referred to as the – Law), Law on Companies of the Republic of Lithuania (hereinafter – Law on Companies) and resolution No. 03-14 of the board of the Bank of Lithuania of 24 January 2017 on approval of description of requirements for audits committees (hereinafter referred to as the Description).

PROCEDURE OF AUDIT COMMITTEE FORMATION

3. Decision on structure of Audit committee and approval of Regulations shall be adopted by general meeting of the Company by a simple majority vote of the shareholders present.
4. Audit committee consists of three members. Since in all cases number, competence and experience of audit committee members shall allow competently perform all obligations assigned to Audit committee, general meeting of shareholders, considering a difficulty of Company activity, level of risk (financial, operational, legal and etc.), may decide to increase the number of Audit committee members and/or change structure of it.
5. Audit committee is elected for four-year term of office. Audit committee *in corpore* or individual Audit committee members may be revoked by the general meeting of shareholders. Same general meeting of shareholders in which Audit committee is revoked *in corpore*, new Audit committee shall be elected (for a new four-year term), whereas instead of revoked individual audit members – new individual audit members shall be elected (for the remaining term of office).

Member of audit committee shall have the right to resign submitting a written notice to the Company 14 (fourteen) days in advance. New Audit committee member shall be elected instead of resigned member in the next general meeting of the Company (for the remaining term of office)

6. Members of Audit committee shall be of good reputation, appropriate qualification and experience, collegially having knowledge of finance, accounting or financial statements audit sphere and sector, in which Company operates. Majority of Audit committee members shall be independent and one of independent Audit committee members shall have at least 3 years' experience of working in the sphere of accounting or audit of finance statements.
7. Persons shall be deemed to have an appropriate qualification if they hold a social science degree or equivalent degree in law, economics, business, finances or management (a bachelor's and a master's qualification degree). Persons shall be deemed to have appropriate experience if they have at least three years of accountant, financier, auditor, brokerage working experience in the last five years.
8. Person shall be deemed independent member of audit committee only if he is not linked with the Company, controlling shareholder or member or managing employees by business, family or other relations, because of which conflict of interest arises or may arise and which may impact Audit committee member's opinion. Whether member of audit committee shall be deemed independent shall be determined in accordance with criteria established in the Description.
9. Supervision of audit committee members' compliance with posed requirements shall be carried out each year. Each member of the Audit committee shall submit to the general meeting of shareholders information about himself if it differs from last submitted information together with a written report on the Audit's activity. General meeting of shareholders assess information submitted by members of Audit committee and make comments and offers which are mandatory to Audit committee or its individual members. If according to opinion of general meeting of shareholders qualification or experience of Audit committee member is insufficient, same general meeting of shareholders shall consider issue of revocation of this member and appointment of other member who is elected for the remaining term of office of Audit committee.

10. Members of Audit committee shall elect chairman of Audit committee by a simple majority vote. If members of Audit committee fail to elect chairman, he shall be elected by the next general meeting of shareholders. Chairman of Audit committee shall be only independent member of the Audit committee. Chairman of Audit committee cannot manage any other committee established by the Company.

OBLIGATIONS OF THE AUDIT COMMITTEE

11. Obligations of the Audit committee:

- 1) to inform manager of the Company about results of audit of finance statements and explain how this audit contributed to the reliability of finance statements and what was the role of Audit committee performing it;
- 2) to monitor the financial reporting process and submit recommendations on ensuring the liability of it;
- 3) to monitor the effectiveness of Company's internal quality control and risk management systems, having impact on Company's financial statement, and internal audit, without prejudice to the independence of the internal audit;
- 4) to monitor the audit of annual finance statements and consolidated financial statements, especially paying attention to its performance, considering established deficiencies of audit of finance statements during inspection of the Company and reached conclusions.
- 5) to review and monitor the independence of auditors and auditors companies seeking to avoid conflict of interests. Auditor or audit company carrying out the audit before agreeing to carry out or continue task of the Company audit must assess if requirements of independence are fulfilled, firstly, if there are not arising threats to independence due to relations to the Company and to annually confirm to Audit committee the independence and discuss all threat to independence, as well as applicable measures for reduction of such threats;
- 6) to submit recommendations to the general meeting of shareholders related to selection, appointment, repeated appointment and revocation of external audit company and terms of agreement with external audit company. Audit committee recommendation must consist of at least two possible alternatives and one well-grounded and more acceptable alternative in order to make decision. Seeking to submit a fair and proper substantiation, the Audit committee must use the results of mandatory selection procedure, which is organized by the Company and responsible of which is Audit committee. Selection procedure is carried out under requirements of Regulation. During the selection procedure, the Company shall not restrict auditors or audit companies that take up a small share of the market, provide an audit tasks proposals. The tender documents must contain transparent and non-discriminatory selection criteria which will be applied when evaluating proposals.

In recommendation the Audit Committee shall confirm that no third party had any impact on its recommendation and that no provision established in part 6 of the Regulation are not applied to the recommendation.

Board of the Company submitting the proposal to the general meeting of shareholders, shall disclose whether it complies with more acceptable alternative submitted by the Audit committee, if not – why.

- 7) to set appropriate criteria for selection of external audit company and assess qualification and experience of external auditors;
- 8) to assess the risk of possibility of resignation of external audit company or external auditor, investigate situations which may cause basis for resignation of external audit company or external auditor and make recommendations for the necessary actions in these cases;
- 9) to require information from external audit company about applicable internal quality control procedures and assess it;
- 10) to discuss transparency report with external audit company or external auditor, as well as other available information on results of financial statement audit quality inspection and (or) the financial statements of audit quality research carried out by the competent authorities;
- 11) to discuss the amount of remuneration of finance statements audit services with external audit company or external audit. When discount is proposed, Audit committee shall ensure that mentioned discount would not increase the materiality level applicable by external audit company and would not reduce scale and attention of external audit services which is significant to identification of the risks. Whereas due to amount and structure of remuneration received from company being audited may be threat to independence of auditor or audit company carrying out the statutory audit, it is important to ensure that the audit reward is not based on any conditions, and that in cases where an audit remuneration from the Company, including its subsidiaries

companies make up a significant part, to establish a specific procedure to ensure the quality of the audit with the participation of the audit Committee. If the auditor or the audit company is becoming too dependent on the Company, the Audit committee, based on reasonable grounds, should decide whether the auditor or audit company may continue to carry out the audit. While adopting the decision, the Audit Committee has, *inter alia*, to take into account the threats to the independence and the consequences of such a decision;

12) to monitor that requirements of external audit companies and main audit partners rotation would not be violated;

13) to monitor the nature and scale of non-financial statements services of audit, submit approval, develop and approve the policy defining appropriate audit services of non-financial statements;

14) to discuss potential threats for independence, as well as applied measures to reduce this threats;

15) to assure that resources offered by external audit company are sufficient for implementation of tasks provided in agreement (scheme) of financial statements audit, as well as to know what services of companies belonging to audit network and(or) other audit companies the external auditor intends to use and what part of services provided by external auditor such services would take;

16) to discuss with external audit company or external auditor the additional report provided to Audit committee, issues which may have impact on determined capital requirements (when applicable), significant deficiencies of internal control system found while carrying out finance statements audit;

17) to know working program of external auditors including scale of financial statements' audit tasks, applicable materiality level, significant risk identification process;

18) to require confirmation of external audit company that group members performing financial statements audit task have enough knowledge, qualification and experience to perform tasks provided in agreement (scheme) of financial statements audit;

19) to monitor implementation of provided recommendations;

20) to constantly cooperate with external auditors on any issues related to performance of financial statements audit, to discuss encountered difficulties and (or) all significant disagreements with members of management bodies and (or) managing employees while carrying out the audit of financial statements, if appropriate, to organize the attendance of external auditors in other committee meetings;

21) to provide an opinion on transactions with the Company's related party, in accordance with Article 37² of the Law on Companies and to fulfil other obligations, if such were established in accordance with the procedure and conditions approved by the Company's Board, which the Company's Board must prepare in accordance with Article 37² of the Law on Companies.

12. The Audit committee should ensure that an auditor or an audit company carrying out an audit should provide to the Audit committee additional and more detailed report on result of audit prescribed by legal acts. This additional report shall be provided to the Audit committee not later than an audit report. The Audit committee shall discuss with an auditor or an audit company carrying out an audit the key issues set out in the additional report.

13. Auditor or an audit company carrying out an audit of the Company and, in case the auditor or an audit company carrying out an audit belongs to a group, any member of such group is entitled to provide non-audit services, other than prohibited non-audit services, to the Company, its parent company or its controlled companies, subject to the consent of the Audit committee.

14. The Audit committee each year should:

1) obtain from the auditor or audit company a written confirmation that an auditor, an audit company and partners, senior managers and executives, who carry out an audit prescribed by legal acts, are independent from the Company;

2) discuss with an auditor or an audit company the threats to their independence and security measures applicable to reduce those threats.

RIGHTS AND DUTIES OF THE AUDIT COMMITTEE MEMBERS

15. Audit committee members should:

act in good faith, with care and responsibility for the Company's and shareholders' benefit and in interests thereof, in accordance with valid legal acts, the internal documents of the Company and with due regard to the interests of employees and public welfare;

maintain the independence of his analysis, decision-making and actions;

do not seek and accept any unjustified privileges, that might compromise independency of the Audit committee;

express his objections in a case, if he considers that the resolution of the body of the Company may harm the Company. Should the body of the Company have passed the resolution the Audit committee member has serious doubts about, in such case this member should report relevant conclusions to the next General Meeting of Shareholders;

raise their qualification constantly.

16. Upon fulfilling their duties the members of the Audit committee shall have the following rights:

- 1) select the course of activities and procedures using professional knowledge and skills;
- 2) receive from the Company the necessary documents and (or) their copies and information and use it;
- 3) demand the Company to provide explanations, perform other necessary actions for performing the functions of the Audit committee;
- 4) demand the employees of the Company and the subsidiaries to provide explanations in writing;
- 5) other rights specified in the valid legal acts.

PROCEDURE OF WORK OF THE AUDIT COMMITTEE

17. The Audit committee should inform about its activities the Annual General Meeting of Shareholders of the Company providing a written report, and if necessary provide information during other General Meetings of Shareholders of the Company.

18. The Audit committee is a collegial body, taking decisions during meetings. The Audit committee may take decisions and its meeting should be considered valid, when all elected members participate in it. The decision should be passed when all members of the Audit committee vote for it. The member of the Audit committee may express his will – for or against the decision, with the draft of which he is familiar with – by voting in advanced in writing. Voting in writing should be considered equal to voting by telecommunication end devices, provided text protection is ensured and it is possible to identify the signature.

19. The Audit committee shall meet at least twice a year. The Audit committee meetings shall be convened by the Chairman of the Audit committee. The right of initiative of convoking the meetings of the Audit committee is held by each member of the Audit committee providing a notice about initiation of the meeting to the Chairman of the Audit committee. The members of the Audit committee should be informed about convoked meeting, questions that will be discussed there and the suggested drafts of decisions by the Chairman of the Audit committee not later than three business days in advance in writing (by e-mail or fax).

20. The meeting of the Audit committee should not be recorded, and the taken decisions should be signed by all elected members. When all members of the Audit committee vote in writing, the decision should be written and signed by the Chairman of the Audit committee. The decision should be written down and signed not later than within seven days from the day of the meeting of the Audit committee.

21. The Company manager should ensure that:

- 1) the members of the Audit committee should be properly introduced to the activities of the Company, should be provided with complete information relating to the Company's specific accounting, financial and other operational features;
- 2) the Audit committee should be informed of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. The Audit committee should be furnished with complete information on particulars of accounting, financial and other operations of the Company;
- 3) the Audit committee should be provided with the premises for its operation, appointed secretary and granted other required expedients necessary for the Audit committee operation;
- 4) The Audit committee should be informed of the work programme of internal auditors, and should receive internal audit report or a periodic summary;

- 5) The Audit committee should be informed of the work programme of external auditors, and should obtain a report by the external auditor, describing all relationships between the independent auditor and the Company and its group. The Audit committee should obtain information about any issues arising from the audit timely;
- 6) The Audit committee should be free to obtain advice and assistance from outside legal, accounting and other advisors as it deems necessary to carry out its duties, and should receive appropriate funding from the Company.
22. The Audit committee should have the right to invite to its meetings the manager of the Company, members (member) of the Board, the chief financier, employees responsible for finance, accounting and treasury issues, external auditors and other persons, whose presence is admitted necessary by the Chairman of the Audit committee considering questions scheduled for the Audit committee meeting.
23. Members of the Audit committee may receive remuneration for their work in the committee. The remuneration for the Audit Committee members is approved by the General Meeting of Shareholders fixing the maximum hourly rate.