

APPROVED

by the decision of general meeting of shareholders  
of Vilnius baldai AB, dated 16<sup>th</sup> September, 2013

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**REGULATIONS OF THE FORMATION AND ACTIVITY OF THE  
AUDIT COMMITTEE OF VILNIAUS BALDAI AB**

**GENERAL**

1. The present Regulations of the Formation and Activity of the Audit Committee of Vilnius baldai AB (hereinafter referred to as the Regulations) define the rights and duties, size, period of membership of the Audit Committee, education, professional experience requirements of the members of the Audit Committee, principles of independence applied to the independent member of the Audit Committee, and other issues related to formation of the Audit Committee and work organization thereof.
2. The legal basis for the present Regulations is Article 52 of the Law on the Audit of the Republic of Lithuania, also the Resolution No. 1K-18 of the Securities Commission of the Republic of Lithuania "On the Requirements for the Audit Committees" dated 21 August 2008.
3. The Regulations shall be approved and / or amended by the decision of the general meeting of shareholders of Vilnius baldai AB (hereinafter referred to as the Company).

**PROCEDURE OF THE FORMATION OF THE AUDIT COMMITTEE**

4. The Audit Committee shall consist of three members, one of which is independent.
5. The members of the Audit Committee shall be elected and removed by the general meeting of shareholders.
6. The term of office of the Audit Committee shall be four years.
7. Any member of the Audit Committee shall have the right to resign upon submitting a 14 (fourteen) days written notice to the Company. The new member of the Audit Committee shall be appointed till the end of the term of office of the operating Audit Committee at the nearest general meeting of the shareholders.

**REQUIREMENTS FOR THE MEMBERS OF THE AUDIT COMMITTEE**

8. The members of the Audit Committee shall be appointed (elected) in pursuance that the Audit Committee shall, collectively, have a recent knowledge and relevant experience in the fields of audit and accounting, for it is required for the appropriate activity of the Company, considering its shares are admitted to trading in the Main List of the Vilnius Stock Exchange.
9. Independent persons with appropriate qualification shall be considered persons with university degree in economics. Other Audit Committee members with appropriate qualification shall be considered persons with university degree in economics or law.
10. Persons, who are not considered independent, with appropriate work experience shall be considered persons with at least three years of work experience in the field of finances, accounting or law. Independent person with appropriate experience shall be considered persons with at least three years of work experience in the field of accounting or audit.
11. Information and data confirming the qualification and experience of the person proposed as a member of the Audit Committee shall be provided to the general meeting of shareholders by the body or shareholder proposing to elect the person.
12. One member of the Audit Committee shall be independent. A member of the Audit Committee shall be considered independent only if he is free of any business, family or other relationship with the Company, the controlling shareholder or management that creates a conflict of interest such as to impair his judgment and if he satisfies other criteria of independence specified hereunder. The person proposing the candidate as independent member of the Audit Committee shall submit a written confirmation of the candidate stating that he is independent. In case it becomes known that the independent member of the Audit Committee submitted false data about himself or data has changed and due to that this person can no longer be considered as independent, such a member of the Audit Committee shall be revoked immediately by the resolution of the Board of the Company, and replaced by a new independent member of the Audit Committee under the procedure specified in paragraph 7 of the Regulations.
13. The key criteria for identifying whether a member of the Audit Committee can be considered to be independent are the following:
  - 13.1. he is not a head of the Company and any associated company and has not been such during the last five years;
  - 13.2. he is not an employee of the Company and any associated company and has not been such during last three years;

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- 13.3. he is not receiving and has been not receiving significant additional remuneration from the Company and associated company other than remuneration for the office in the Audit Committee;
- 13.4. he is not a controlling shareholder and is not a representative of such shareholder;
- 13.5. he does not have and did not have any material business relations with the Company and associated company within the past year directly or as a partner, shareholder, head or employee of the administration of the subject having such relationships. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, advisory and consulting services), major client or organisation receiving significant payments from the Company or its group;
- 13.6. he is not and has not been during the last three years partner or employee of the current or former audit company of the Company and associated company;
- 13.7. he has not been in the position of a member of the Audit Committee of the Company for over than 12 years;
- 13.8. he is not a close relative to the head of the Company or to any person specified in above paragraphs 13.1. to 13.6. The spouse (partner), children and parents are considered to be close relatives.
14. A company associated with the Company as specified in paragraph 13 should be one which:
- 14.1. directly or indirectly controls the Company or is controlled by it;
- 14.2. has a significant influence on the Company;
- 14.3. jointly controls the Company under a joint activity agreement;
- 14.4. is controlled by the same legal or natural person (their group) as the Company;
- 14.5. is an associated company;
- 14.6. is a company controlled under a joint activity agreement;
- 14.7. is a company accumulating and at the end of the service paying pensions and other benefits.
15. Maintenance if the Audit Committee members meet the specific requirements is performed every year. Every member of the Audit Committee together with written reports shall submit to the ordinary general meeting of shareholders information about himself if the information is different from the last submitted information. Ordinary general meeting of shareholders shall assess the information provided by the members of the Audit Committee and shall give remarks and recommendations which are mandatory. In case the general meeting of shareholders decides that qualification and experience of the Audit Committee members is insufficient, the same general meeting of shareholders shall consider removal of such member and election of new member, which shall be elected till the end of the term of office of the operating Audit Committee.

**FUNCTIONS, RIGHTS AND DUTIES OF THE AUDIT COMMITTEE**

16. The main functions of the Audit Committee shall be the following:
- 16.1. provide recommendations to the Board of the Company regarding selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of engagement with the audit company;
- 16.2. monitor the process of external audit of the Company;
- 16.3. monitor how the external auditor and audit company follow the principles of independence and objectivity;
- 16.4. observe the process of preparation of financial reports of the Company;
- 16.5. monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function;
- 16.6. monitor if the Board and / or the manager of the Company takes into consideration recommendations and remarks of the Audit Committee properly.
17. The Audit Committee shall report on its activities to the ordinary general meeting of shareholders of the Company (present written reports) and in case of necessity – shall provide information to other general meetings of shareholders.
18. The members of the Audit Committee shall:
- 18.1. act in good faith with care and responsibility for the benefit and in the interests of the Company and shareholders with due regard to the interests of employees and public welfare;
- 18.2. follow the legal acts and the internal documents of the Company while performing their functions.
19. The independent member of the Audit Committee shall:
- 19.1. under all circumstances maintain the independence of his analysis, decision-making and actions;
- 19.2. do not seek and accept any unjustified privileges, that might compromise his independency;

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19.3. express his objections if a member considers that the resolution of the body of the Company is against Company's interests. Should a body of the Company have passed the resolutions independent member has serious doubts about, the member shall report his findings to the next general meeting of shareholders.

20. Upon fulfilling their duties the members of the Audit Committee shall have the following rights:

20.1. select the course of activities and procedures using professional knowledge and skills;

20.2. receive from the Company the necessary documents and/or their copies and information and use it;

20.3. demand the Company to provide explanations, perform other necessary actions necessary for performing the functions of the Audit Committee;

20.4. demand the employees of the Company to provide explanations in writing;

20.5. other rights specified in the present Regulations and valid legal acts.

**PROCEDURE OF WORK OF THE AUDIT COMMITTEE**

21. The Audit Committee is a collegial body, taking decisions during meetings. The Audit Committee may take decisions and its meeting shall be considered valid, when two members participate in it. The decision shall be passed when two members vote for it. The member of the Audit Committee may express his will – for or against the decision in question, with the draft of which he is familiar with – by voting in advance 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.

22. The right of initiative of convoking the meetings of the Audit Committee is held by every member of the Audit Committee. Other members of the Audit Committee shall be informed about the convoked meeting, questions that will be discussed there and the suggested drafts of decisions not later than three business days in advance in writing (by e-mail or fax).

23. The meetings of the Audit Committee shall be recorded, and the decisions taken shall be signed by all members present at the meeting. When all members of the Audit Committee vote in writing, the decision shall be written down and signed by the secretary of the Audit Committee who shall be appointed by the Board of the Company. The decision shall be written down and signed within seven days from the day of the meeting of the Audit Committee.

24. The Board of the Company shall ensure that:

24.1. the members of the Audit Committee are properly introduced to the activities of the Company, provided with complete information relating to the Company's specific accounting, financial and other operational features;

24.2. the Audit Committee is 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 shall be furnished with complete information on particulars of accounting, financial and other operations of the Company;

24.3. the Audit Committee is provided with the premises for its operation, appointed secretary and granted other required expedients;

24.4. the Audit Committee is informed of the work programme of internal auditors, and receives internal audit report or a periodic summary, when the internal auditing function is started in the Company;

24.5. the Audit Committee is informed of the work programme of external auditors, and obtains a report by the external auditor, describing all relationships between the independent auditor and the Company and its group. The Audit Committee shall obtain timely information about any issues arising from the audit;

24.6. the Audit Committee is free to obtain advice and assistance from outside legal, accounting or other advisors as it deems necessary to carry out its duties, and receives appropriate funding from the Company to this effect.

25. The Audit Committee shall have the right to invite the head of the Company, member(s) of the Board, the chief financier and employees responsible for finance, accounting and treasury issues as well as external auditors to its meetings.

26. Members of the Audit Committee may receive remuneration for their work in the Audit Committee. Remuneration shall be approved by the general meeting of shareholders at a maximum rate of one hour.