

Regulations of the Formation and Activity of the Audit Committee of special closed-end type real estate investment company INVL Baltic Real Estate

GENERAL

1. The present Regulations of the Formation and Activity of the Audit Committee of special closed-end type real estate investment company INVL Baltic Real Estate (hereinafter referred to as the Company, and hereinafter referred to as the Regulations) define the rights and duties, size, period of membership of the Audit Committee, requirements for education, professional experience of the Audit Committee members, 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 of the Securities Commission of the Republic of Lithuania “On the Requirements for the Audit Committees”.
3. The Regulations should be approved and / or amended by the resolution of the General Shareholders Meeting of the Company.

PROCEDURE OF THE FORMATION OF THE AUDIT COMMITTEE

4. The Audit Committee should consist of 2 members, one of which is independent.
5. The members of the Audit Committee should be elected by the General Shareholders Meeting at the proposal of the Company’s shareholders or the company that manages the Company (hereinafter – the Management company).
6. The Audit Committee is elected for the 4 (four) years term of office.
7. Any member of the Audit Committee should have the right to resign upon submitting a 14 (fourteen) days written notice to the Management company. When the Management company receives the notice of resignation of a member of the Audit Committee and considers all circumstances related to the resignation, it may decide:
 - 7.1. either to convene an Extraordinary General Shareholders Meeting to elect new member of the Audit Committee;
 - 7.2. or to postpone the question on the election of the new member of the Audit Committee till the next General Shareholders Meeting of the Company.

The new member is elected till the end of term of office of the operating Audit Committee.

REQUIREMENTS FOR THE MEMBERS OF THE AUDIT COMMITTEE

8. The members of the Audit Committee should be appointed (elected) in pursuance that the Audit Committee should, collectively, have a recent knowledge and relevant experience in the fields of audit and accounting, as it is required for the appropriate activity of the Company, considering its shares are admitted to trading in the Secondary List of the NASDAQ OMX Vilnius.
9. Independent persons with appropriate qualification should be persons with a university degree in economics. Other Audit Committee members with appropriate qualification should be persons with a university degree in economics or law.
10. Persons, who are not considered independent, with appropriate work experience should be persons with at least 3 (three) years of work experience in the field of finances, accounting or law. Independent person with appropriate experience should be persons with at least 3 (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 should be provided to the General Shareholders Meeting by the Management company or shareholder proposing to elect the person. If data about a member of the Audit Committee changes, this member no later than 10 days from the change of the data must inform in writing the Management company. If due to some changes a member of the Audit Committee can no longer fulfil his duties in the Audit Committee, he must provide a notice of resignation.
12. One member of the Audit Committee should be independent. A member of the Audit Committee should be considered independent only if the Company, the controlling shareholder, the Management company or the

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management doesn't have with him any business, family or other relationship, 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 of the independent member of the Audit Committee should 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 they changed and due to that the person can no longer be considered independent, the Management company proposes to the next General Shareholders meeting to consider a question upon recall of such a member and election of the new one.

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 last 5 (five) years;

13.2. he is not an employee of the Company and any associated company and has not been such during last 3 (three) years;

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 a partner or employee of the current or former audit company of the Company and associated company during the last 3 (three) years;

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. Every year members of the Audit Committee carry out a review of their conformity to the requirements. Each member of the Audit Committee, together with a written report on the activities of the Audit Committee, shall provide Annual General Meeting of Shareholders with information about himself, if it is different from the last information. Annual General Meeting estimate the information of the members of the Audit Committee and provide comments and suggestions to the Audit Committee and its individual members. If, in the opinion of the General Meeting of Shareholders, the Audit Committee member qualifications or experience are not sufficient, at the same General Shareholders Meeting the question of the withdrawal of a member, and election of another member to the Audit Committee till its term of office, is discussed.

FUNCTIONS, RIGHTS AND DUTIES OF THE AUDIT COMMITTEE

16. The main functions of the Audit Committee should be the following:

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16.1. provide recommendations to the Management company with selection, appointment, reappointment and removal of an external audit company of the 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 Management company directly related to the management of the Company. Once a year review the need of the dedicated internal audit function for the Company within the Management company;

16.6. monitor if the Management company gives due consideration to the recommendations or comments provided by the audit company regarding management of the Company.

17. The Audit Committee should account for its activities to the Annual General Shareholders Meeting providing a report about its work during the last financial year.

18. The members of the Audit Committee should:

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 and the Management company in performing their functions.

19. The independent member of the Audit Committee should:

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;

19.3. express his objections if a member considers that the resolution of the Management company or shareholders is against the Company's and interests. Should the Management company or shareholders have passed the resolutions independent member has serious doubts about, the member should report his findings to the next General Meeting of Shareholders.

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

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

20.2. receive from the Management company the necessary documents and/or their copies and information and use it as much as it is related to the management of the Company;

20.3. demand the Management company to provide explanations, perform other necessary actions necessary for performing the functions of the Audit Committee as much as it is related to the management of the Company;

20.4. demand the employees of the Management company (as much as it is related to the management 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 should be considered valid, when both members of the Committee participate in it. The decision should be passed when both members of the Audit Committee 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 both members of the Audit Committee. The other member of the Audit Committee should be informed about the convoked meeting, questions that will be discussed there and the suggested drafts of decisions not later than 3 (three) business days in advance in writing (by e-mail or fax).

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23. The meetings of the Audit Committee should not be recorded, and the taken decisions should be signed by both members of the Committee. When both Audit Committee members vote in writing, the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Management company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

24. The Management company should ensure:

24.1. the members of the Audit Committee should be properly introduced to the activities of the company, should be provided in particular with complete information relating to the company's specific accounting, financial and other operational features;

24.2. 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;

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

24.4. the Audit Committee should be informed of the work programme of internal auditors, and should receive internal audit report or a periodic summary, when the dedicated internal auditing function is started in the Management company;

24.5. 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 Management company. The Audit Committee should obtain timely information about any issues arising from the audit directly related to the Company;

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

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

26. 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 Shareholders Meeting fixing the maximum hourly rate.