

APPROVED
On ___ April 2017

By decision No_____ of General Shareholder Meeting of APB „APRANGA“

CHARTER OF AUDIT COMMITTEE OF AKCINĖ PREKYBOS BENDROVĖ “APRANGA”

1. GENERAL PROVISIONS

- 1.1. Charter of audit committee (hereinafter the Committee) of APB „APRANGA“ (hereinafter – the Company) shall stipulate the procedure of the Committee formation, number of members and composition, including applicable education, professional experience and independence requirements for members of the Committee, term of office in the Committee, procedure of election of chairman of the Committee, rights and obligations of the Committee, the procedure of organization of meetings, decision-making and attendance of other persons in meetings, the extent and procedure of information provided to the Committee.
- 1.2. The Committee in its activities shall be guided by 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 – Regulation), Law on Audit of Financial Statements of Republic of Lithuania (hereinafter - Law on Audit of Financial Statements), Resolution of the Board of Bank of Lithuania No. 03-14 dated 24 January 2017 on approval of schedule for requirements of audit committees (hereinafter – Schedule), other legal acts and by this Charter of the Committee.

2. COMPOSITION OF COMMITTEE AND MEMBERS OF THE COMMITTEE

- 2.1. Company’s Committee shall be composed of 3 members for 4 years. The number of tenures of Committee members is not limited, except independent members who shall not perform duties of Committee members for more than 12 years.
- 2.2. Committee member may be elected from persons who have obtained university degree and have work experience in the field of audit, accounting and/or finance. At least one Committee member shall have work experience in the field of retail trade sector.
- 2.3. Two Committee members shall be independent and at least one of the independent members shall have at least 3 year work experience in the field of accounting or audit. Main criteria for independence of Committee member shall be established in accordance with Schedule.
- 2.4. Committee members shall be elected and removed by General Shareholder Meeting of the Company and by board proposal.

- 2.5. Committee shall be managed by Chairman of the Committee who shall be elected and removed by General Shareholder Meeting of the Company.
- 2.6. The body which elected the Committee members may remove single members before the end of their tenure.
- 2.7. Committee member may resign from its duties before end of its tenure having informed in writing Company's General Director not later than before 14 days.
- 2.8. Remuneration may be set for Committee members for their activity in the Committee. By proposal of the board the remuneration for Committee member is set by General Shareholder Meeting.

3. ACTIVITY, RIGHTS AND OBLIGATIONS OF COMMITTEE

- 3.1. Obligations of Committee:
 - 3.1.1. inform the General Director of the Company of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the Committee was in that process;
 - 3.1.2. monitor the financial reporting process and submit recommendations to ensure its integrity;
 - 3.1.3. monitor the effectiveness of the Company's internal quality control and risk management systems, having impact on the financial reporting of the Company;
 - 3.1.4. monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation;
 - 3.1.5. review and monitor the independence of the statutory auditors or the audit firms in accordance with Law on Audit of Financial Statements and Article 6 of Regulation, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;
 - 3.1.6. be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or the audit firm(s) to be appointed in accordance with Article 16 of Regulation except when Article 16(8) of Regulation is applied.
- 3.2. Besides obligations indicated in clause 3.1., the Committee shall also have to perform the following duties:
 - 3.2.1. By making recommendations to General Shareholder Meeting in relation to selection, appointment, reappointment and removal of the external audit company and to the terms of conditions of its engagement:
 - 3.2.1.1. Define proper selection criteria of external audit company and evaluate qualification and experience of external auditors;
 - 3.2.1.2. Evaluate the risk relating to possibility that external audit company shall resign, investigate situations which may lead to resignation of the audit company and make recommendations relating to necessary actions in these cases;
 - 3.2.1.3. Request from external audit firm information about and evaluate applicable internal quality control procedure;

- 3.2.1.4. Discuss with external audit company Transparency report, as well as other available information about inspections of audit quality or/and audit quality assurance reviews carried out by competent authorities;
- 3.2.1.5. Discuss with external audit company the level of remuneration for audit services. When discount is offered for audit services, Committee must be satisfied that mentioned discount will not increase the external audit company's importance level and will not decrease the scale and attention of the audit services which must be designed to identify significant risks;
- 3.2.2. by reviewing the external audit company's independence and objectivity:
 - 3.2.2.1. monitor the external audit firm's compliance with applicable guidance relating to the rotation of audit partners;
 - 3.2.2.2. monitor the nature and extent of non-audit services, give approval, prepare and approve policy specifying the types of non-audit services which are permissible;
 - 3.2.2.3. discuss any threats to its independence with that committee any threat to its independence as well as the safeguards applied to mitigate those threat;
- 3.2.3. by monitoring and reviewing the effectiveness of financial statements audit process:
 - 3.2.3.1. make sure that offered resources by the external audit company are sufficient for performance of tasks indicated in audit contract (plan), as well as to know which services the external auditor intend to use from audit firm network or/and from other audit firms and what part of the services provided such services will comprise;
 - 3.2.3.2. discuss with the external audit firm the additional report provided to Committee, issues that may affect the established capital requirements (where applicable), significant weaknesses in the internal control system discovered while performing the financial statements audit;
 - 3.2.3.3. know external auditor's work program, including the extent of audit tasks, applicable importance level, identification process of significant risk;
 - 3.2.3.4. require the approval from the external audit firm that members of the group performing financial statements audit task have sufficient knowledge, skills and experience to carry out the tasks stipulated in the financial statements audit contract (plan);
 - 3.2.3.5. monitor the implementation of the recommendations made;
 - 3.2.3.6. constantly cooperate with the external auditors on any matter relating to the performance of financial statements audit, to discuss the difficulties and/or any significant disagreements with management bodies and/or senior management relating with performance of financial statements audit, if appropriate, to organize the attendance of the external auditors in the meetings of other committees.
- 3.3. Rights of Committee:
 - 3.3.1. Receive any information or documents when performing Committee duties;
 - 3.3.2. Receive full information relating to Company's specific accounting, financial and operational features. Upon request of Committee members or upon its own initiative Company's administration should inform Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches, also the existence

- of, and the justification for, any activity carried out by the Company in offshore centres and/or through special purpose vehicle.
- 3.4. Committee shall make requests for receipt of information or documents to General Director of the Company. General Director of the Company shall enable Committee member (members) to have access to information or documents.
 - 3.5. Committee members shall have access to information and documents necessary for Committee activity at Company's residence premises, unless otherwise stipulated by General Director of the Company.
 - 3.6. For proper performance of Committee's activity the Company shall provide premises wherein Committee meetings may be held.
 - 3.7. Committee members must keep secret and not to disclose to third persons Company's commercial secrets, confidential information which they obtained while being Committee members. Also, Committee members shall be obliged not to disclose to third persons, except cases provided by legal acts of Republic of Lithuania, Company's accounting and other data, which they obtained while being Committee members.
 - 3.8. Committee shall report to Company's General Shareholder Meeting. Committee shall submit a report on its activities to General Shareholder Meeting together with collection of financial statements submitted by board for approval.

4. MEETINGS OF COMMITTEE

- 4.1. Meetings of Committee shall be convened depending on the necessity, however not less than twice per year. Meetings of Committee shall be held in Company's residence premises.
- 4.2. Each Committee member shall have a Committee's meeting convocation initiative right.
- 4.3. Company's General Director, chairman of the board and/or board members, external auditors may attend Committee's meetings. Also, Company's finance and economics director, other Company's employees may be invited to attend Committee's meetings.
- 4.4. Committee's adopted decision and other documents shall be written and signed by each Committee member. Committee member shall have a right to express dissenting opinion in case of disagreement with Committee's decision or document content.
- 4.5. Committee's adopted decisions and others written documents shall be submitted to General Director of the Company.
- 4.6. Committee members their self by mutual consent may establish procedure of Committee meeting convocation and organization.

5. FINAL PROVISIONS

- 5.1. Charter of Committee shall enter into force as of their approval day.
- 5.2. Charter of the Committee may be amended, added by a decision of the General Shareholder Meeting.