

## REGULATIONS OF AUDIT COMMITTEE OF AKCINĖ BENDROVĖ „UTENOS TRIKOTAŽAS“

### I. General part

1. Following audit committee (hereinafter – **the Committee**) regulations (hereinafter - **the Regulations**) of AB "UTENOS TRIKOTAŽAS" (hereinafter– **the Company**) defines formation of the Committee, number of members and composition, including applicable education, professional experience, principles of independence and other requirements for members of the Committee, term of office in the Committee, rights and obligations of the Committee and other issues related to formation of the 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 – **Law**) 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 - **the Description**).

### II. Composition of Committee and procedure of Committee formation

1. Decision on structure of Committee and approval of Regulations shall be adopted by general shareholder meeting of the Company by a simple majority vote of the shareholders present. Committee members shall start their activities after general shareholder meeting of the Company in which Committee or individual Committee members were elected unless general shareholder meeting of the Company specified later starting date.
2. Committee consists of 2 (two) members. Both Committee members shall be independent and at least one of Committee members shall have at least 3 (three) years' experience of working in the sphere of accounting or audit of finance statements.
3. Committee is elected for four-year term of office. The number of tenures of Committee members is not limited, except independent member who shall not perform duties of Committee member for more than 12 (twelve) years.
4. Committee *in corpore* or individual Committee members may be revoked by the general meeting of shareholders. In the same general meeting of shareholders in which Committee is revoked *in corpore*, new Committee shall be elected for a new four-year term, whereas instead of revoked individual Committee members – new individual Committee members shall be elected for the remaining term of office.
5. Member of Committee shall have the right to resign submitting a written notice to the Company 14 (fourteen) days in advance. New Committee member shall be elected instead of resigned member in the next general shareholder meeting of the Company for the remaining term of office.
6. Committee shall be managed by Chairman of the Committee who shall be elected by general shareholder meeting of the Company. Chairman of the Committee shall be only independent member of the Committee. Chairman of the Committee cannot manage any other committee established by the Company.

### III. Requirements for Committee members

1. Members of Committee shall be of appropriate qualification and experience. Persons shall be deemed to have a appropriate qualification if they hold a social science degree or equivalent degree in law, economics, business, finances or management. At least one of Committee members shall have at least 3 (three) years' experience of working in the sphere of accounting or audit of finance statements.
2. Person shall be deemed independent member of Committee only if he is not linked with the Company, their 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 Committee member's opinion. Whether member of Committee shall be deemed independent shall be determined in accordance with criteria established in the Description.

3. Candidates for Committee members shall submit to Company documents about qualification and (or) professional experience. Candidate for independent member of Committee shall also submit a written confirmation that he is independent. Information about the candidates for Committee members shall be submitted to the Company's general meeting of shareholders in which Committee shall be elected.
4. If Committee member submitted false documents about himself or data has changed and as a result this person can no longer be Committee member, this Committee member shall be immediately revoked.

#### **IV. Rights and obligations of Committee**

##### **1. Obligations of Committee:**

- 1.1. to inform the General Director 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 Committee performing it;
- 1.2. to monitor the financial reporting process and submit recommendations to ensure its integrity;
- 1.3. to monitor the effectiveness of the Company's internal quality control and risk management systems, having impact on the financial reporting of the Company;
- 1.4. 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;
- 1.5. to review and monitor the independence of auditors and auditors firms in accordance with Article 4 of Law 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;
- 1.6. to be responsible for the procedure for the selection of auditor(s) or audit firm(s) and recommend auditor(s) or audit firm(s) to be appointed in accordance with Article 16 of Regulation except when Article 16(8) of Regulation is applied.

##### **2. Besides obligations indicated in the Regulations Article IV Clause 1, the Committee shall also have to perform the following duties:**

- 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:
  - 2.1.1. define proper selection criteria of external audit company and evaluate qualification and experience of external auditors;
  - 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;
  - 2.1.3. request from external audit firm information about and evaluate applicable internal quality control procedure;
  - 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;
  - 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.

##### **2.2. By reviewing the external audit company's independence and objectivity:**

- 2.2.1. monitor the external audit firm's compliance with applicable guidance relating to the rotation of audit partners;
- 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;
- 2.2.3. discuss any threats to its independence as well as the safeguards applied to mitigate those threat.

##### **2.3. By monitoring and reviewing the effectiveness of financial statements audit process:**

- 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;
- 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;
  - 2.3.3. know external auditor's work program, including the extent of audit tasks, applicable importance level, identification process of significant risk;
  - 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);
  - 2.3.5. monitor the implementation of the recommendations made;
  - 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. Rights of Committee members:
- 3.1. receive any information or documents when performing Committee duties;
  - 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 centers and/or through special purpose vehicle;
  - 3.3. other rights specified in the valid legal acts.
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.
  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.
  6. For proper performance of Committee's activity the Company shall provide premises wherein Committee meetings may be held.
  7. Committee should act in accordance with valid legal acts and the Regulations.
  8. Committee members should act in good faith, with care and responsibility for the Company's and shareholders' benefit and in interest thereof, and with due regard to the interests of employees and public welfare.
  9. 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. Also, Committee members must keep secret and not to disclose to third persons Company's commercial (production) secrets, confidential information which they obtained while being Committee members.
  10. Committee members should maintain the independence of their analysis, decision-making and actions.
  11. Remuneration may be set for Committee members for their activity in the Committee. The remuneration for Committee member is set by general shareholder meeting.
  12. If Committee meetings shall be held in the premises of the Company travel expenses of Committee members may be reimbursed.

#### **V. Procedure of work of Committee**

1. 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.
2. Committee is a collegial body, taking decisions during meetings. 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 Committee vote for it. The member of 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.
3. Committee shall meet according to the need, but not less than 2 (twice) a year. Committee meetings shall be convened by the chairman of Committee. The right of initiative of convoking the meetings of Committee is held by each member of Committee providing a notice about initiation of the meeting to the chairman of Committee. The members of Committee should be informed about convoked meeting, questions that will be discussed there and the suggested drafts of decisions by the chairman of Committee not later than 3 (three) business days in advance in writing (by registered mail, e-mail or fax).
  4. Decisions taken by Committee or other documents should be recorded in writing and signed by all elected members. When members of Committee vote in writing, the decision should be written and signed by the chairman of Committee. The decision should be written down and signed not later than within 7 (seven) days from the day of the meeting of Committee.
  5. Company's General Director, chairman of the board and/or board members, external auditors may attend Committee's meetings, unless Committee decides otherwise. Also, Company's finance director, chief accountant, other Company's employees may be invited to attend Committee's meetings.
  6. Committee members their self by mutual consent may establish procedure of Committee meeting convocation and organization.

#### **VI. Final Provisions**

1. Regulations of Committee shall enter into force as of their approval day.
2. Regulations of the Committee may be amended and (or) added by a decision of the general shareholder meeting.