

To

INVL Baltic Farmland, AB

Gynėjų str. 14, Vilnius

**INVL BALTIC FARMLAND, AB AUDIT COMMITTEE ACTIVITY REPORT FOR THE FINANCIAL
YEAR 2019**

Vilnius, the eighteenth of March two thousand and twenty

GENERAL PART

The Audit Committee (hereinafter – the Committee) of INVL Baltic Farmland, AB (hereinafter – INVL Baltic Farmland, AB or the Company) was formed by the decision of the General Meeting of Shareholders on 22nd of March, 2017.

The Committee works in accordance with the laws of the Republic of Lithuania, the Articles of Association of INVL Baltic Farmland, AB also Regulations of the Audit Committee of INVL Baltic Farmland, AB (hereinafter – the Regulations), approved by the decision of the General Meeting of Shareholders on 22nd of March, 2017.

COMPOSITION OF THE AUDIT COMMITTEE

INVL Baltic Farmland, AB was registered in the Register of Legal Entities on 29th of April, 2014 (Company was established on 21st of March, 2014 by Invalda LT, AB (currently Invalda INVL, AB) according to separation conditions when a share of Invalda LT, AB assets, liabilities and equity was separated).

On the 22nd of March, 2017 the General Meeting of Shareholders of INVL Baltic Farmland, AB was held; the General Meeting adopted the decision to appoint Danguolė Pranckėnienė and Tomas Bubinas as the independent members of the audit committee of INVL Baltic Farmland, AB for a 4 (four) years term.

The members of the Committee correspond with the qualification and experience requirements set out in the Regulations:

- the independent member of the Committee has an university degree in economics and more than three years work experience in the field of audit;
- the independent member of the Committee has a university degree in economics and more than three years work experience in the field of accounting.

Information and data which approve qualification and experience of the members of the Committee which were submitted in the General Meeting of Shareholders held on 22nd Of March, 2017, have not changed.

Independent members of the Committee comply with main criteria set out in the Regulations which are used for identifying whether a member of the Committee shall be considered as independent:

1. he/she is not and has not been for the last five years a manager of the Company or the associated companies (as they are defined in clause 24 of Description on requirements for audit committee (hereinafter – Description) approved by the board of Bank of Lithuania in 2017 January 24 Resolution No. 03-14);
2. he/she is not and has not been for the last five years an employee of the Company or the associated companies;
3. he/she is not receiving and has not been receiving significant, compared to the revenue received by the member of the Committee, additional remuneration from the Company or the associated companies other than remuneration of a member of the Committee and/or member of the supervisory body;
4. he/she is not a controlling shareholder and is not a representative of such shareholder;
5. he/she does not have and has not had any material business relations with the Company or associated company within the past year directly or as a partner, shareholder or a member, managing employee of the subject having such relationships (a subject is considered to have business relations when it is a major supplier or service provider (including financial, legal, advisory and consulting services), major client or organisation receiving significant part of the income from the Company or its group);
6. he/she is not and has not been for the last three years a partner or employee of the current or former external audit company of the Company or the associated companies;
7. he/she has not been in the position of a member of the Committee of the Company for over than 12 years;
8. he/she is not a close relative to the manager of the Company or to any person specified in paragraphs 1 – 7 above (a spouse (partner), children (adopted children), parents (adoptive parents), brothers (stepbrothers) and sisters (stepsisters) are considered to be close relatives).

FUNCTIONS AND PROCEDURE OF WORK OF THE AUDIT COMMITTEE

The main functions of the Committee:

1. to inform the Manager of the Company about the results of the audit of financial statements and explain how this audit has contributed to the credibility of financial statements and what role has been performed therein by the Committee;
2. to monitor the financial reporting process and submit recommendations regarding ensuring of the credibility thereof;
3. to monitor the effectiveness of the Company's internal quality control and risk management systems affecting the financial statements of the Company and internal audit, without prejudice to the independence of the internal audit;
4. to monitor the audit of annual financial statements and consolidated financial statements with a particular focus on its performance, having regard to the deficiencies of the audit of financial statements identified during the inspection of the Company and to the drawn conclusions;
5. to review and monitor the independence of auditors and audit companies seeking to avoid conflict of interests;
6. to bear responsibility for the carrying out of the procedure of selection of the auditor or the audit company and the submission of a recommendation for the appointment of the auditor or the audit company;
7. to submit recommendations to the General Meeting of Shareholders of the Company related to selection, appointment, repeated appointment and revocation of external audit company and terms of agreement with external audit company;
8. to monitor and evaluate whether process of the financial statements audit is effective.

The work of the Committee is organized considering the specifics of the activity of the Company external factors, changes in legal environment.

The right of initiative of convoking the meetings of the Committee is held by both members of the Committee. Usually the time of the meetings is combined with discussion of preparation process of financial and audit (including intermediate financial statements) statements.

During the reporting period the Committee discussed all questions collegially.

The Board members of the Company have worked closely with the members of the Committee, duly presented them with the activity of the Company, provided with detailed information regarding the specific peculiarities of accounting, finance and activity of the Company, informed about methods of settlement for important and unusual transactions when the settlement may be included in accounting in several different ways, provided with other information which is necessary to carry out the functions of the Committee properly.

The Committee has received information regarding all questions of the external audit from the management of the Company on time.

THE ACTIVITY OF THE AUDIT COMMITTEE IN FINANCIAL YEAR 2019

Observation of the financial statements' preparation process.

Without prejudice to the responsibility and rights of the administration, the Board members and also the external audit company, the Committee *inter alia* has observed the financial statements' preparation process (including intermediate) of the Company.

The members of the Committee were informed about any possible non-compliance with the accounting policies or problems of disclosure, a regular two-way dialogue between the members of the Committee and persons, responsible for preparing of financial statements, took place, information regarding work of independent audit was received.

The Company pays enough attention and resources to ensure timely implementation of all legislative changes regulating the preparation of financial statements.

The members of the Committee, after familiarizing with the audited set of annual financial statements of the year 2019 and hearing from person authorized under the agreement to manage accounting of the Company about the preparation process of the above mentioned statements and problems related with it, have recommended to the Board of the Company to submit audited set of annual financial statements of the year 2019 and consolidated financial statement to the General Meeting of Shareholders of INVL Baltic Management, AB, which will be held on 23rd of March, 2020.

Observation of the efficiency of internal control and risk management systems and assessment of the need of internal audit function.

Without prejudice to the responsibility and rights of the administration, the Board members and also the external audit company, the Committee has observed the effectiveness of internal control and risk management systems and has assessed the need of internal audit function in the Company.

There was no internal audit function in 2019. Evaluating the operations size and the complexity of the Company, the Committee does not recommend establishing internal audit function.

Observation of the process of external audit.

Without prejudice to the responsibility and rights of the administration, the Board members and also the external audit company, the Committee *inter alia* has observed the process of external audit.

Management of the Company as well as Audit Company provided the members of the Committee with information about the process of external audit of financial statements of year 2019 of the Company.

The main questions discussed with auditors of the audit for 2019: (i) estimating the fair value of the investment properties of the Group, (ii) disclosure and applying of provisions of IFRS 16 *Leases* in the financial statements.

Independence and objectivity of external auditor and Audit Company.

The Committee has reviewed and observed the independence of external auditor and Audit Company first of all in the point of view of provision of additional services to the audited subject.

On 28th of February 2020 the Committee analysed received statements that Audit Company PricewaterhouseCoopers, UAB did not perform any other services rather than the audit services to INVL Baltic Farmland, AB during the process of external audit of financial statements of year 2019 of the Company. The members of the Committee confirm that:

a) PricewaterhouseCoopers, UAB did not perform any other services rather than the audit services to the Company for the year 2019;

b) Rimvydas Jogėla and (or) Audit Company – PricewaterhouseCoopers, UAB are not directly or indirectly related to the Company and there are no grounds which could harm the independence of the auditor and (or) the audit company.

c) Rimvydas Jogėla is considered to be independent from the Company since:

- he is not linked by family relations with the Company's and/or its significant subsidiaries' participants, managers, chief accountant (accountant) or any other employee of the Company or its significant subsidiaries that may have a direct and significant influence on the preparation of financial statements, executives of the Company or its significant subsidiaries;
- he is not linked by close relations with the Company's and/or its significant subsidiaries' participants, in accordance with the criteria set out in the audit firm's quality control policies and procedures, having a material impact on the Company or its significant subsidiaries, managers, chief accountants (accountant) or any other employee of the Company or its significant subsidiaries that may have a direct and significant influence on the preparation of financial statements, executives of the Company or its significant subsidiaries;
- he is not an employee of the Company or its significant subsidiaries and during the period covered by the audited financial statements has not been an employee of the Company or its significant subsidiaries that may have a direct and significant influence on the preparation of financial statements;
- he is not a participant of the Company or its significant subsidiaries and during the period covered by the audited financial statements has not been a participant of the Company or its significant subsidiaries;
- he or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of the Company, except for interests indirectly held under diversified collective investment schemes;
- he or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of any entity associated with the Company, which ownership may cause a conflict of interests or is usually expected to cause it, except for interests indirectly held under diversified collective investment schemes;
- other than grounds specified above does not have and does not receive material and direct benefit of any financial instruments issued, guaranteed or otherwise supported by the Company, except for interests indirectly held under diversified collective investment schemes, including managed funds, and does not participate in any transaction on any financial instrument;

- during the period of carrying out the audit of financial statements of the Company and during the periods covered by the audited financial statements, has not had work, business or other relations which may cause a conflict of interests, as described in the Code of Ethics of Professional Accountants, or is usually expected to cause it;
- he is not influenced by other significant conditions that might affect her independence.

d) PricewaterhouseCoopers, UAB is considered to be independent from the Company and its significant subsidiary companies since:

- neither the Company nor its significant subsidiaries are participants of the audit company;
- the audit company, participants of the audit company and executives, with the exception of executives who do not provide services to the Company or its significant subsidiaries are not participants of the Company or its significant subsidiaries;
- participants of the audit company and executives, with the exception of executives who do not provide services to the Company or its significant subsidiaries, are not linked by family relations with the Company's or its significant subsidiaries' participants or by close affiliation with the Company's or its significant subsidiaries' participants, in accordance with the criteria set out in the audit firm's quality control policies and procedures, having a material impact on the Company or its significant subsidiaries;
- it or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of the Company, except for interests indirectly held under diversified collective investment schemes;
- it or persons who may have a direct or indirect impact on the results of financial statements do not have financial instruments of any entity associated with the Company, which ownership may cause a conflict of interests or is usually expected to cause it, except for interests indirectly held under diversified collective investment schemes;
- other than grounds specified above does not have and does not receive material and direct benefit of any financial instruments issued, guaranteed or otherwise supported by the Company, except for interests indirectly held under diversified collective investment schemes, including managed funds, and does not participate in any transaction on any financial instrument;
- during the period of carrying out the audit of financial statements of the Company and during the periods covered by the audited financial statements, has not had work, business or other relations which may cause a conflict of interests, as described in the Code of Ethics of Professional Accountants, or is usually expected to cause it;
- it is not influenced by other significant conditions that might affect its independence.

e) The payment for the performance of the audit, indicated in the agreement with the audit company, in the opinion of the Committee ensures that the audit will be performed according to the principles of professional ethics and requirements of international standards of audit. There are no any indefinite conditions in the agreement concluded with the audit company, which could influence the amount of payment for the audit services. The payment for other services, rendered by the same audit company, does not influence the payment for the audit services.

Chairman of the Committee:

Danguolė Pranckėnienė

Member of the Committee

Tomas Bubinas