



Regulation on Audit Committee

1. Purpose and Application

The Regulation on Audit Committee sets out the Audit Committee's (hereinafter referred to as – AC) operational target, main tasks, procedure for its establishment and operation at the joint stock company Development Finance Institution Altum (hereinafter referred to as – Company).

2. Terms and Abbreviations Used

The terms and abbreviations used in this regulation are explained in the *Dictionary* on the Company's intranet *Our Cloud*.

3. General Provisions

- 3.1. AC has been established to comply with the requirements put forward by the **Law on Financial Instruments Market and Regulation** (EU) No 537/2014 of the European Parliament and of the Council **on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC**.
- 3.2. AC operates in accordance with the laws of the Republic of Latvia, regulatory documents issued by FCMC, Law on Development Finance Institution, Company's Articles of Association, decisions passed by the shareholders' meeting, this regulation and other binding regulatory documents.
- 3.3. It is the shareholders' meeting of the Company that decides on establishment, reorganisation or liquidation of AC.

4. Main Tasks of AC

- 4.1. To supervise the process of compilation of the Company's annual report and consolidated annual report and submit to the Company's Supervisory Board proposals for ensuring credibility and objectivity of the annual report and consolidated annual report.
- 4.2. To supervise the operational efficiency of the Company's internal control, risk management and internal audit system in so far as it concerns ensuring of credibility and objectivity of the annual report and consolidated annual report and prepare proposals for eradication of the deficiencies of the respective system.
- 4.3. To supervise the course of the audit (check) of the annual report and consolidated annual report.
- 4.4. To check and supervise whether the sworn auditor appointed by the Company follows the independence and objectivity requirements outlined in the Law on Audit Services prior to commencing and in the course of the audit of the Company's annual report and consolidated annual report as well as requirements specified in Section 55³ (1) 4) of the Law on Financial Instruments Market.
- 4.5. To inform the Company's Supervisory Board about the conclusions of the sworn auditor resulting from the audit (check) of the annual report and consolidated annual report and provide an opinion on how the audit has contributed to credibility and objectivity of the annual report and consolidated annual report prepared by the Company and to inform about role of AC in the process.
- 4.6. To provide proposals to the shareholders' meeting of the Company about improvement of the work of AC and amending of this regulation.
- 4.7. To perform other tasks as specified for AC in the Law on Financial Instruments Market.

5. Rights and Obligations of AC

- 5.1. AC shall be responsible for execution of the tasks outlined in Part 4 of this regulation and effective laws and regulations.
- 5.2. AC has the right to recommend that the Company remedied or corrected deficiencies in the compilation process of the financial and consolidated financial statements, annual report and consolidated annual report and suggest specific improvements to increase operational efficiency of the Company's internal control and risk management system.
- 5.3. AC is entitled to request and receive from the Company's Management Board and also from the Internal Audit Division, Accounting Department and Risk Management Department the information and documents needed for execution of the tasks specified in the Law on Financial Instruments Market.
- 5.4. In order to execute the tasks specified in Part 4 of the regulation AC may perform checks having co-ordinated the timing and agenda of the checks with the Company's Management Board.
- 5.5. AC shall report at the shareholders' meeting of the Company at least once a year or as requested by the shareholders' meeting.
- 5.6. AC holds other rights as specified in the Law on Financial Instruments Market.

6. Composition of AC, rights and obligations of its members

- 6.1. AC is composed of the head of AC elected at the shareholders' meeting and two AC members who comply with the requirements of the law.
- 6.2. In the absence of AC head his/her duties are fulfilled by AC member delegated by AC head.
- 6.3. AC adopts its decisions at the AC meeting. The Company shall supply AC with a minute taker for the meetings.
- 6.4. Head of AC:
 - 6.4.1. convenes AC meetings, sets the timing and agenda of AC meetings;
 - 6.4.2. chairs AC meetings;
 - 6.4.3. invites other employees of the Company who are competent on the respective items to take part in the committee's meeting;
 - 6.4.4. reports about work of AC to the shareholders' meeting of the Company regularly, following the agreed procedure.
- 6.5. Obligations of AC member:
 - 6.5.1. to attend the meetings of AC, analyse the item under consideration in good faith and voice the opinion on the items being examined at the AC meeting in order to meet the requirements specified in the Law on Financial Instruments Market;
 - 6.5.2. to inform the head of AC about known non-attendance of an announced meeting;
 - 6.5.3. inform the Management Board of the Company as soon as the conflict of interest has occurred for AC member or there is a justified reason to believe that one might form.
- 6.6. Obligations of AC secretary:
 - 6.6.1. to take minutes at AC meetings;
 - 6.6.2. to prepare agenda of the committee's meetings (co-ordinating it with AC head);
 - 6.6.3. to ensure that premises at the Company's registered office are made available for the committee's meetings;
 - 6.6.4. to format and send the committee's decisions to the responsible structural units;
 - 6.6.5. to follow-up on execution of the committee's decisions and inform AC members on execution of the decisions once a quarter;
 - 6.6.6. to store the materials of the committee's meetings (in electronic and paper form) in accordance with record keeping regulations of the Company.

7. AC Operational Principles

- 7.1. AC meetings take place at least four times a year.
- 7.2. AC meeting can take place and is deemed competent if at least two AC members are present at the meeting. AC passes decisions based on the results of open vote. All present AC members shall vote. AC decision is deemed adopted if at least two AC members have voted 'in favour'.
- 7.3. The following may participate at the AC meeting without voting rights on their own initiative and provided participation has been co-ordinated beforehand with AC head: representatives of the shareholder, members of the Supervisory Board and Management Board and head of the Internal Audit Division or employee designated by him/her.
- 7.4. Having passed a respective decision AC is entitled to impose restrictions on participation at the AC meeting for the members of the Supervisory Board or Management Board, head of the Internal Audit Division or employee designated by him/her if there are reasonable grounds for doing so. At the same time AC is entitled to establish limited access rights for specific minutes of the AC meetings.
- 7.5. The Management Board of the Company shall consider AC recommendations. The Management Board informs AC if it disagrees with the decisions passed and recommendations provided by AC.
- 7.6. The shareholders may suspend execution of AC decision by requesting reviewing of the item at the AC meeting or by passing a respective decision at the shareholders' meeting.
- 7.7. The minutes shall be taken at the AC meetings. The minutes of the meetings are signed by all AC members who had been present at the meeting and minute-taker.
- 7.8. The minutes of AC meetings are available to AC members, representatives of the Company's shareholders, members of the Supervisory Board and Management Board and head of Internal Audit Division with no specific authorisation. Other employees in charge can access the minutes of the meetings upon co-ordination with AC head.
- 7.9. Within three working days after the minutes of AC meeting have been signed the members of the Company's Management Board receive a copy of the minutes and Company's employee in charge of execution of AC decision receives respective excerpt from AC minutes.