

AB LINAS AGRO GROUP

AUDIT COMMITTEE ACTIVITY REPORT

For activities performed from 1st July 2022 until 30th June 2023

6th October 2023

INTRODUCTORY PART

Audit Committee (hereinafter referred to as – „Committee“) of AB Linas Agro Group (hereinafter referred to as – „Company“) elected by Annual General Shareholders Meeting held on 28th October 2022 for the term of the office of 2023/2027.

There were 3 (three) members working in the Committee, out of which 2 (two) of them were independent during the reporting period:

1. Lukas Kuraitis (independent member);
2. Skaistė Malevskienė (independent member);
3. Irma Antanaitiene.

While performing its activities the Committee acts according to Regulations of the Audit Committee of AB Linas Agro Group approved by Annual General Shareholders Meeting held on 28th of October 2022, defining formation of the Committee and work procedures, rights and obligations, number of its members, requirements for education and professional experience, the principles of independence and other issues related to formation of the Committee and work organization thereof (hereinafter referred to as – „Regulations“).

ISSUES RELATED TO WORK ORGANIZATION OF THE COMMITTEE

The meetings of the Committee are convoked as such demand emerges.

They resolved issues assigned for the competence of the Committee.

Committee analysed and discussed uncorrected audit differences for financial year 2021–2022 and other recommendations made by the auditors. After getting acquainted with the data, the Committee provided its insights on the corrections of the identified uncorrected audit differences and the implementation of the recommendations.

The Committee was introduced to AB “Linas Agro Group” and its subsidiaries (hereinafter referred to as – „Group“) transfer pricing documentation (hereinafter referred to as – "TPD"), they were briefed on the tax risks arising from intra-group transactions, which were identified in the Documentation, and measures were discussed which will be taken to minimize or eliminate the identified risks.

The Group's risk matrix was presented to the Committee, the matrix identified various risks that the Company and its subsidiaries face or may face. Committee discussed the extent of possible risks, and the risk management tools which are used by the Group and what additional tools are possible to use in the Group. Insights and recommendations from the Committee regarding the use and supervision of risk management tools were listened to. Further actions were agreed with the Committee on how risk management tools will be improved and implemented within the Company and the Group.

On 5th June 2023 Committee had a meeting with UAB "KPMG Baltics" (hereinafter - "KPMG") audit team. The audit team has presented the audit plan and its scope for the financial year 2022-2023, the audit plan was coordinated with the Committee. The work schedule was presented, and all significant deadlines were agreed. Key audit matters were discussed, the audit team presented a methodology based on which these risks will be assessed and verified. During the meeting Committee was also introduced to the qualification of KPMG audit Committee has assessed the competence and independence of the members of the audit team.

On 5th October 2023 Committee had meeting with KPMG audit team, the results of the Group's audit were presented: key audit matters, uncorrected audit misstatements, audit status and unanswered questions, adequacy of accounting policies, accounting estimates and disclosures in the financial statements, control deficiencies and IT recommendations. During the meeting, it was discussed that there were no significant changes in the audit plan and strategy. KPMG submitted an offer to sign the unmodified auditor's opinion.

In the Committee meetings held during the reporting period, it was observed how the Company complies with the EUROPEAN PARLIAMENT AND COUNCIL REGULATION (EU) No. 537/2014, on specific requirements regarding statutory audit of public-interest entities and repealing Commission decision 2005/909/EB (hereinafter referred to as – the Regulation).

The Company's management closely cooperated with the members of the Committee, timely and properly provided detailed information related to the specific accounting, financial and operational features of the Company.

During the reporting period Committee made 7 decisions:

- 1) 12th September 2022¹
- 2) 17th October 2022¹
- 3) 9th November 2022
- 4) 28th February 2023
- 5) 15th March 2023
- 6) 5th June 2023
- 7) 30th June 2023

On 12th September 2022 and 9th November 2022 Company's Committee decided, in accordance with the Regulation, to approve the purchase of non-audit services (hereinafter referred to as – NAS) (agreed upon procedures for the purpose of receiving state support for the year 2022) from KPMG Latvian entity. Any issues related to independence were discussed with the audit team.

On 17th October 2022 Company's Committee decided, in accordance with the Regulation, to approve the purchase of NAS (transaction consultations related to the merger of group companies) from KPMG Latvian entity. Any issues related to independence were discussed with the audit team.

On 28th February 2023 Company's Committee decided, in accordance with the Regulation, to approve the purchase of NAS (tax seminar/training) from KPMG. Any issues related to independence were discussed with the audit team.

On 15th March 2023 Company's Committee decided to approve "Procedure for the purchase and approval of non-audit services from the auditing company".

¹ Decisions were made by previous Audit committee which was elected on 31st October 2018 during Annual general shareholders meeting for the term of 2018-2022

On 5th June 2023 Company's Committee decided, in accordance with the Regulation, to approve the purchase of NAS (tax services related to the preparation of Country-by-country report) from KPMG. Any issues related to independence were discussed with the audit team.

On 30th June 2023 Company's Committee decided, in accordance with the Regulation, to approve the purchase of NAS (tax services related to the preparation of SAF-T) from Ernst & Young Baltic UAB (hereinafter referred to as – EY). Ensuring independence was discussed with EY audit team.

REVIEW OF CONFORMITY OF THE COMMITTEE MEMBERS TO THE REQUIREMENTS OF THE RULES

Assessment of independence of the independent Committee members Lukas Kuraitis and Skaistė Malevskienė was performed. After this assessment it was determined that both members satisfy all the independence requirements. Lukas Kuraitis and Skaistė Malevskienė have also signed confirmations on their independence.

The key criteria for determining whether a member of the Audit committee can be considered independent were established on January 24, 2017, by resolution of the Board of the Bank of Lithuania No. 03-14 "Description of Requirements for Audit Committees" (Summary editorial as of 1st July 2018) as well as described by the requirements for the Audit Committee, the composition of the bodies of the Audit Committee and the composition of the Audit Committee.

During assessment it was also established that the qualification and work experience of all the members of the Committee satisfy the requirements of the Regulations (person is considered to have appropriate qualification when the person has a university degree in social sciences law, economics, business, finance or management; person is considered to have appropriate experience if the person has at least 1 year experience in the field of audit, accounting, finance or law.).

PRESENTATION OF RECOMMENDATIONS

RECOMMENDATION TO THE MANAGEMENT OF THE COMPANY REGARDING THE CONTRACT WITH THE AUDIT COMPANY

On 6th October 2023, in accordance with Clause 18.6 of the Regulations, the Committee has provided a recommendation related to selection, appointment, repeated appointment and revocation of external audit company and terms of agreement with external audit company to the Company's management to sign (for a period of 4 (four) years), a contract for purchase of audit services from UAB "Ernst & Young Baltic" (hereinafter referred to as "EY"). Before making this recommendation, the Committee confirmed that its recommendation was not influenced by any third party. The Committee observed and evaluated the procurement process, got acquainted with the requirements for audit companies and the selection criteria that were specified in the request to submit a proposal - submitted its comments on them, and evaluated whether the selection procedure organized by the Company meets the requirements of the Regulation. Before making its recommendation, the Committee also went through a detailed comparative analysis of the proposals received.

RECOMMENDATION TO THE MANAGEMENT BOARD OF THE COMPANY ON PRESENTATION OF ANNUAL INFORMATION FOR 2022/2023 FOR SHAREHOLDERS' APPROVAL

On 6th October 2023 The Committee prepared a recommendation to the Management Board of the Company on annual information for financial year 2022/23. In this recommendation the Committee proposed to the Management Board of the Company to present the consolidated and Company's financial statements for the financial year 2022/23 ended 30th June 2023 for shareholders' approval.

Before presenting recommendation to the Management Board, the members of the Committee became familiar with audited annual information for 2022/23, analysed information presented by the Company's Chief Financial Officer Mažvydas Šileika, revised information and feedback on audit of annual financial statements for 2022/23 and any issues related to the audit presented by UAB „KPMG Baltic“ audit executives. Committee also observed the process of carrying out the audit, analysed whether the auditors follow the principles of independence and objectivity.

EFFICIENCY OF INTERNAL AUDIT SYSTEM

The Committee did not have an opportunity to evaluate the efficiency of the internal audit system whereas there is no such function in the Company. However, the Committee recommends implementing this function as soon as such possibility emerges. The Committee also recommends implementing all stages of risk management: identification, management, effectiveness of risk management measures and implementation control.

Chairman of the Committee

(signature)

Lukas Kuraitis

Members of the Committee

(signature)

Skaistė Malevskienė

(signature)

Irma Antanaitiene