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Joint stock company
"VIA SMS Group"

**Corporate Governance Report
for 2018**

Riga, 2019





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INTRODUCTION

The Corporate Governance Report of "VIA SMS Group", AS (henceforth – "VIA SMS Group") for the year 2018 is prepared based on "The Principles of Corporate Governance and Recommendations on their Implementations" issued by SIA „NASDAQ OMX Riga” in the year 2010.

The Report is prepared by the board of "VIA SMS Group", AS and reviewed by the shareholder's meeting.

The Principles of Corporate Governance are maximum suitable for business operations of "VIA SMS Group", AS and most of them were complied in 2018.



Eduards Lapkovskis
Board member



Deniss Šerstjukovs
Board member

Riga, April 29, 2019



PRINCIPLES OF GOOD CORPORATE GOVERNANCE

INTERNAL CONTROL AND RISK MANAGEMENT

The purpose of internal control and risk management is to ensure efficient and successful work of the Issuer, the truthfulness of the information disclosed and conformity thereof to the relevant regulatory acts and business principles. Internal control helps the board to identify the shortcomings and risks in the management of the Issuer as well as facilitates that the shareholder's meetings task – to supervise the work of the board – is fulfilled efficiently.

1. Principles of the Issuer's internal and external control

To ensure successful work of the Issuer, it shall be necessary to plan regular its controls and to determine the procedure of internal and external (audit) control.

- 1.1. To ensure successful operation, the Issuer shall control its work on a regular basis and define the procedure of internal control.

"VIA SMS Group" applies this principle.

- 1.2. The objective of risk management is to ensure that the risks connected with the commercial activity of the Issuer are identified and supervised. To ensure an efficient risk management, it shall be necessary to define the basic principles of risk management. It is recommended to characterize the most essential potential and existing risks in relation to the business of the Issuer.

"VIA SMS Group" applies this principle.

- 1.3. Auditors shall be granted access of the information required for the fulfillment of the auditor's tasks and the possibility to attend shareholder's meeting and board meetings at which financial and other matters are dealt with.

"VIA SMS Group" applies this principle partly. Auditors did not participate in any of the shareholder's meeting and board meetings, however, they are granted access to the information required for the fulfillment of their tasks including shareholder's meeting and board meeting minutes. In addition they are able to inquire and receive comments from the Issuers shareholder's meeting and board members.

1.4. Auditors shall be independent in their work and their task shall be provide the Issuer with independent and objective auditing and consultation services in order to facilitate the efficiency of the Issuer's business and to provide support in achieving the objectives set for the Issuer's management by offering a systematic approach for the assessment and improvement of risk management and control processes.

"VIA SMS Group" applies this principle partly. Auditors are independent in their work and they provide independent and objective auditing service of Issuer's financial statements. Systematic assessment and improvement of risk management and control processes is performed by Issuer's board.

1.5. It shall be recommended to carry out an independent internal control at least annually in order to assess the work of the Issuer, including its conformity to the procedures approved by the Issuer.

"VIA SMS Group" applies this principle partly. Once a year an independent audit of financial statements of the Issuer is performed, which indirectly involves assessment of the Issuers procedures since financial statements are based on data, which is obtained via the Issuers operating on prescribed and implemented procedures. Assessment of the Issuer's work in conformity to the procedures approved by the Issuer is performed by its board. If necessary "VIA SMS Group" is ready to create an internal audit department which would be independent from the Issuer's board and management and would carry out regular assessments of the Issuer's work conformity to the procedures approved by the Issuer and will offer improvements.

1.6. When approving an auditor, it is recommended that the term of office of one auditor is not the same as the term of office of the board.

"VIA SMS Group" applies this principle partly. The term of operation of the board is indefinite, whereas the auditor is approved every year.

2. Audit Committee

The Audit Committee shall be established by a resolution of the Issuer's shareholders' meeting, and its operations and scope of responsibilities shall be set as guided by the legislation.

2.1. The functions and responsibility of the Audit Committee should be specified in the regulation of the committee or a comparable document.

"VIA SMS Group" does not apply this principle. The functions and responsibility of the Audit Committee is set in the Law on the Financial Instruments Market.

2.2. To assure an efficient functioning of the Audit Committee, it is recommended that at least three of its members have adequate knowledge in accounting and financial reporting, because issues related to the Issuer's financial reports and control are in the focus of the Audit Committee's operations.

"VIA SMS Group" applies this principle partly. Since the Issuer qualifies for the criteria mentioned in paragraph 3, clause 33 of the Financial Instruments Market, the function of Audit Committee is performed by the Issuer's shareholder's meeting. It consists of two members of which one has an excellent knowledge in accounting and financial statements related matters, which ensures that the Audit Committee is capable to perform its responsibilities.

2.3. All Audit Committee members shall have access to the information about the accounting principles practiced by the Issuer. Board shall advise the audit Committee as to the approaches to significant and unusual transactions, where alternative evaluations are possible, and shall ensure that the Audit Committee has access to all information that has been specified in the legislation.

"VIA SMS Group" applies this principle.

2.4. The Issuer shall ensure that its officials, board members and staff release the information to the Audit Committee that is necessary for its operations. The Audit Committee should also be entitled to carry out an independent investigation in order to identify, within its scope, any violations in the Issuer's activities.

"VIA SMS Group" applies this principle.

2.5. Within its scope, the Audit Committee shall adopt resolutions, and is accountable to the shareholder's meeting for its operations.

"VIA SMS Group" applies this principle.