



CORPORATE GOVERNANCE REPORT

2019

JSC «Latvijas Gāze»

Reg. No. 40003000642

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BOARD REPORT

The Corporate Governance Report of the JSC «Latvijas Gāze» (hereinafter – Latvijas Gāze) for the year 2019 (hereinafter – the Report) has been prepared pursuant to the requirements of Section 562 of the Financial Instrument Market Law and the «Principles of Corporate Governance and Recommendations on their Implementation» (*attached*) issued by the JSC «Nasdaq Riga» in 2010. The principles follow the recommendations of the European Union and the OECD for the corporate governance of capital companies.

The said principles of corporate governance have been applied to the operations of Latvijas Gāze, and in 2019 the company observed almost all of them. Under the «observe or explain» principle, the Report also includes information regarding the principles, which the company observes partially in its operations, and the substantiating circumstances.

The Report is published along with the audited 2019 financial statements of the Latvijas Gāze Group (consisting of Latvijas Gāze and the [JSC «Gaso»](#)) as part of the annual report and is available on the [Latvijas Gāze website](#) (in Latvian, English and Russian) as well as on the [JSC «Nasdaq Riga» website](#) and [Official Centralised Storage System for Regulated Information](#).

Furthermore, information on the corporate governance of Latvijas Gāze is also available in the audited 2019 financial statements of the Latvijas Gāze Group, as well as on the [Latvijas Gāze website](#) under the sections [Investors](#) and [About us](#).

The Report was approved at the Board meeting held on April 1, 2020 and is signed on behalf of the Board by:

Aigars Kalvītis

Chairman of the Board

Sebastian Gröblichhoff

Vice-Chairman of the Board

Elita Dreimane

Member of the Board

MANAGEMENT STRUCTURE

Latvijas Gāze has a three-tier management structure:

- [the Shareholders' meeting](#) (elects the Council)
- [the Council](#) (elects the Board)
- [the Board](#) (manages the company)

There were two standing committees of the Council active in 2019:

- **Advisory Group**

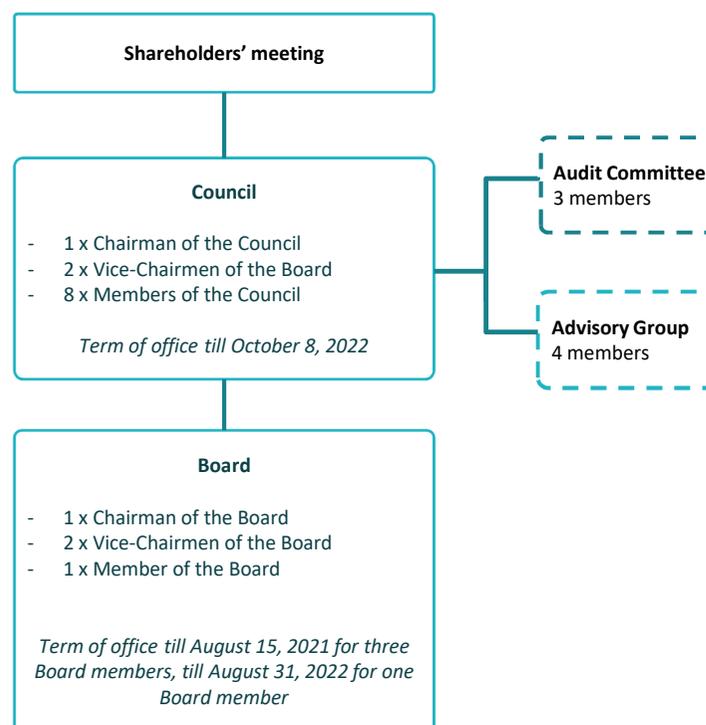
Main task – to advise the company's Council in matters of strategic management of business processes and development

Composition as at 31.12.2019: Juris Savickis, Nicolas Merigo Cook, Matthias Kohlenbach, Dmitry Bulgakov

- **Audit Committee**

Main task – to supervise the preparation of the annual report to ensure its credibility and impartiality

Composition as at 31.12.2019: Benita Kudore, Anita Kaņepa, Juris Savickis



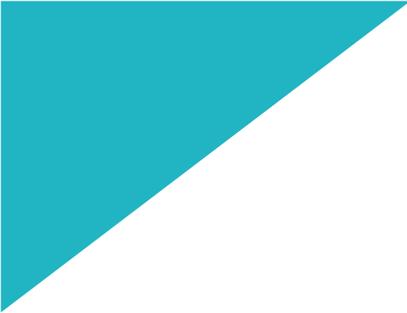
DOCUMENTS GOVERNING MANAGEMENT

The election, operation and powers of the management bodies of Latvijas Gāze is governed by a number of documents:

- the Articles of Association
- the Regulation of the Council
- the Regulation of the Board

All these documents are available on the [Latvijas Gāze website](#)





SHAREHOLDERS' MEETING

«Shareholders realise their right to participate in the management of the Issuer at shareholders' meetings. In compliance with the legislation, the Issuer shall call a regular shareholders' meeting at least once per year.

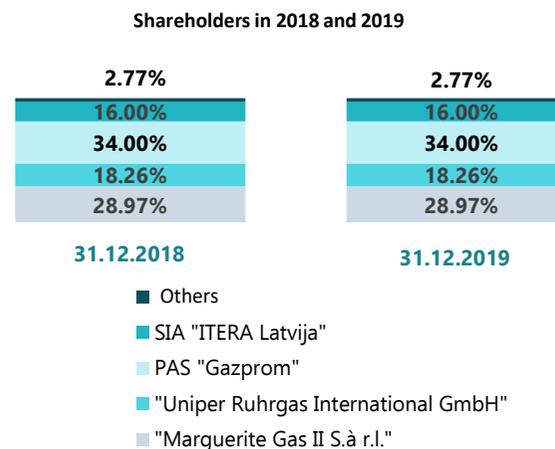
Extraordinary shareholders' meetings shall be called as required.»

1. ENSURING SHAREHOLDERS' RIGHTS AND PARTICIPATION AT SHAREHOLDERS' MEETINGS

PRINCIPLES

- 1.1. Equal rights to all shareholders
- 1.2. A profit distribution policy in place
- 1.3. Convocation of the shareholders' meeting and information to shareholders
- 1.4. Possibility to participate in the shareholders' meeting
- 1.5. Announcement of the shareholders' meeting
- 1.6. Timely notification on the course, venue and agenda of the meeting, and on voting
- 1.7. Availability of draft resolutions at least 14 days before the meeting
- 1.8. Right to nominate shareholders' representatives for election in the Council and for other positions

FACTS



- Latvijas Gāze ensures equal rights to all shareholders; none of the shareholders has special control rights or restrictions on voting rights.
- All shareholders are eligible for a portion of profit (dividends) pro rata to the number of shares. The dividend policy of Latvijas Gāze is published on the [Latvijas Gāze website under the Investors section.](#)

- The principle is fully observed;
- The principle is partially observed;
- The principle is not applicable;

1. ENSURING SHAREHOLDERS' RIGHTS AND PARTICIPATION AT SHAREHOLDERS' MEETINGS

PRINCIPLES

- 1.9. Availability of information on candidate members of the Council and the Audit Committee
- 1.10. Right to consult among themselves during meetings
- 1.11. A regulation on the procedure of shareholders' meetings in place
- 1.12. Possibility to ask questions during meetings
- 1.13. Recording in minutes of the issues review at meetings

FACTS

- There were two shareholders' meetings held in 2019, with the following key resolutions:
 - 1) to approve a net 2018 profit of 23.19 million EUR and to pay 21.9 million EUR in dividends;
 - 2) to elect SIA «PricewaterhouseCoopers» auditor of the 2019 annual accounts;
 - 3) to approve a new composition of the Council (replacement of one member).
- The shareholders' resolutions are available on the [Latvijas Gāze website, under the Shareholders' meetings section](#).

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

2. PARTICIPATION OF MEMBERS AND MEMBER CANDIDATES OF MANAGEMENT BODIES AT SHAREHOLDERS' MEETINGS

PRINCIPLES

- 2.1. Participation of members of the management bodies and the auditor at shareholders' meetings
- 2.2. Participation of candidate officials at shareholders' meetings
- 2.3. Availability of information on the reasons of absence of officials or candidate officials

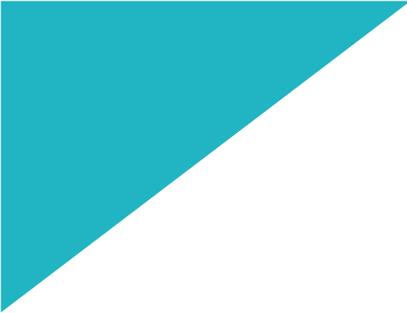
FACTS

- Both shareholders' meetings of Latvijas Gāze in 2019 were attended by three out of four Board members – Chairman of the Board who delivered the Board report, Vice-Chairman of the Board, and one Member of the Board. The regular Shareholders' meeting was also attended by representatives of the auditor and the Audit Committee. Thus, competent information was made available regarding all issues reviewed at the meetings.
- The Shareholders' meeting where the Council was re-elected was not attended by the candidate Council member. Information (extended CV) regarding the new candidate was timely published. The deficiency found has no adverse effects, as the management was widely represented at the meetings, all information on the essence and possible risks of the resolutions was available, and all questions asked by shareholders were answered.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;



BOARD

«The Board is the Issuer's executive body which manages and represents the Issuer in its day-to-day business, therefore the Issuer shall ensure that it is efficient, able to take decisions, and committed to increase the value of the company, by clearly laying down its obligations and responsibilities.»

3. OBLIGATIONS AND RESPONSIBILITIES OF THE BOARD

PRINCIPLES

- 3.1. Performance of duties and responsibility for the implementation and results of the objectives and strategy
- 3.2. Specification of powers in the Regulation of the Board and public availability of the Regulation
- 3.3. Responsibility for compliance with the binding legislation, risk management, and financial performance
- 3.4. Performance of tasks entrusted to the Board
- 3.5. Confirmed efficiency of risk control procedures and risk management
- 3.6. Approval of objectives and strategies with the Council

FACTS

- The Board of Latvijas Gāze consists of four Board members who manage the company. All Board members are independent in their performance and take decisions in the interests of all shareholders.
- The Board's rights to issue or repurchase shares are stipulated in the Commercial Law. Under the Articles of Association, the Board is only eligible to issue shares with a decision of the Shareholders' meeting.
- The Board worked systematically and in compliance with the Regulation of the Board. The Regulation of the Board is available on the [Latvijas Gāze website](#).
- The Board performed specific duties: corporate strategy management, budget management, risk management, staff management, and other key functions.

- The principle is fully observed; ■ The principle is partially observed; ■ The principle is not applicable;

4. BOARD COMPOSITION AND REQUIREMENTS FOR BOARD MEMBERS

PRINCIPLES

- 4.1. Skills, education and professional experience required from Board members
- 4.2. Availability of information on each Board member on the website
- 4.3. Availability of timely and precise information to Board members on the company's performance
- 4.4. Limited number of consecutive terms of office of Board members

FACTS

- The professional experience and education of the members of the Board of Latvijas Gāze fully meets the requirements and they are fully and constantly involved in the management of the company.
- The Board members do not hold positions or shares at affiliated or partner companies.
- In August of the reporting year, Vice-Chairman of the Board [Sebastian Groeblichhoff](#) was reappointed for another term of office.
- The entire composition of the Board, terms of office, and a description of education and professional experience is presented on the [Latvijas Gāze website under About us / Management](#).

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

5. IDENTIFICATION OF INTEREST CONFLICTS IN THE WORK OF BOARD MEMBERS

PRINCIPLES

- 5.1. Avoidance of possible interest conflicts in the work of Board members
- 5.2. Reporting of possible occurrence of interest conflicts
- 5.3. Abstinance from involvement in taking decisions that may cause an interest conflict

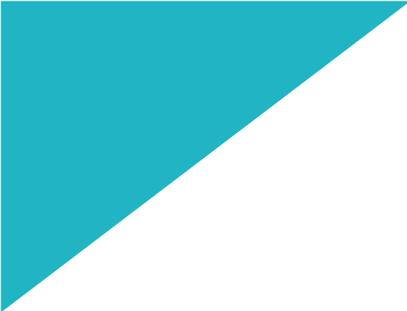
FACTS

- The Board members had no conflicts of interest and worked up to high ethical standards.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;



COUNCIL

«Under the legislation, the Council is the Issuer's supervisory body that represents the interests of shareholders between meetings in cases stipulated in the law and the Issuer's articles of association, supervises the work of the Board.»

6. OBLIGATIONS AND RESPONSIBILITIES OF THE COUNCIL

PRINCIPLES

- 6.1. Specification of the functions of the Council in the Regulation of the Council, its publication and availability
- 6.2. Supervision of accomplishment of the company's goals
- 6.3. Responsibility for acquisition of information and discussion of key issues related to the company's operations
- 6.4. Participation in Council meetings and explanation of absence

FACTS

- The Council of Latvijas Gāze consists of 11 Council members elected for a term of three years.
- There were five Council meetings held in 2019, two of them in writing. All Council members participated in all votes, except one vote on two occasions (meeting attendance – 96.33%). The Council members are acquainted with materials on the issues to be discussed at least two weeks before the meeting and those are made available in three languages.
- The Regulation of the Council does not oblige Council members to explain their absence from a Council meeting. However, in point of fact this principle is observed, as the Council members do provide such explanation.
- The Regulation clearly stipulates the obligations and responsibilities of the Council, and the Council works in the interests of all shareholders, with a full involvement in the supervision of the company. [The Regulation of the Council is available on the Latvijas Gāze website.](#)

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

7. COUNCIL COMPOSITION AND REQUIREMENTS FOR COUNCIL MEMBERS

PRINCIPLES

- 7.1. Availability of information on Council members
- 7.2. Time for successful performance of duties, full-fledged work
- 7.3. Appropriate qualification of Council members
- 7.4. Independent attitude in decision-making and compliance with ethical principles
- 7.5. Application of criteria of independence of Council members
- 7.6. Proportion of independent Council members
- 7.7. Interpretation of criteria of independence of Council members
- 7.8. Report on the independent Council members

FACTS

- The qualification of the Council members and the structure of the Council was up to high standards. None of the Council members represented controlling shareholders or Latvijas Gāze itself.
- Two of 11 Council members served and still serve in the Council for over 10 consecutive years. The rest of the Council members fully meet all independence requirements.
- Information on the Council members, including their education and experience, is available on the [Latvijas Gāze website under About us / Management.](#)

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

8. IDENTIFICATION OF INTEREST CONFLICTS IN THE WORK OF COUNCIL MEMBERS

PRINCIPLES

- 8.1. Avoidance of possible interest conflicts in the work of Council members
- 8.2. Reporting of possible occurrence of interest conflicts
- 8.3. Abstinance from involvement in taking decisions that may cause an interest conflict

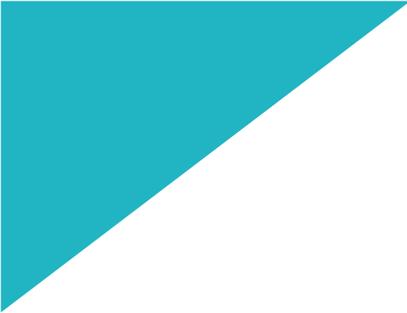
FACTS

- The Council members had no conflicts of interest and worked up to high ethical standards.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;



DISCLOSURE OF INFORMATION

«A good practice of corporate governance for an Issuer whose shares are included in the market regulated by the stock exchange means that the information disclosed by the Issuer has to provide a view on the economic activity of the Issuer and its financial results. This facilitates a justified pricing of financial instruments in public circulation as well as trust in the financial and capital markets. The disclosure of information is closely linked with investor relations which could be defined as the process of developing the Issuer's relations with its potential and existing investors and other parties interested in the business of the Issuer.»

9. TRANSPARENCY OF BUSINESS

PRINCIPLES

- 9.1. Clear and comprehensible corporate governance structure
- 9.2. Disclosure of proven, accurate and unambiguous information
- 9.3. Designation of contact person for communication with the press, media, stock exchange, and investors
- 9.4. Timely and compliant preparation and disclosure of financial statements and annual accounts

FACTS

- Latvijas Gāze provided extensive and comprehensive information regarding the company's management and operations.
- The Consolidated financial statements are prepared in compliance with the IFRS and published quarterly according to the [Financial calendar](#).
- A consolidated [Corporate social responsibility report](#) (part of the company's Non-financial report) is prepared pursuant to the UN Global Compact guidelines.
- In 2019 the JSC Latvijas Gāze was ranked 11th in [«TOP 101 of most valuable Latvian companies»](#), with the company's corporate governance ranked even higher (8th-10th).

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

10. INVESTOR RELATIONS

PRINCIPLES

- 10.1. Provision of accurate and truthful information and feedback
- 10.2. Availability of equal and comprehensible information to all investors
- 10.3. Availability of various information channels to investors
- 10.4. Basic principles of posting information on the website
- 10.5. Content of information posted on the website

FACTS

- Latvijas Gāze provided extensive information on the company's website and through other channels, it was timely and equal for all shareholders. The company ensured feedback of investor relations.
- In 2019 Latvijas Gāze resumed a regular presentation of financial results via [virtual conferences](#), also responding to stakeholder questions.
- Up-to-date information on the structure of shareholders, the Board and Council members, the work of the Audit Committee, the financial statements, the corporate social responsibility report, the corporate governance report, the documents governing the management bodies etc. is kept available on the [company's website](#).

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;



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 enactments and business principles. Internal control helps the Board to identify the shortcomings and risks in the management of the Issuer as well as facilitates the efficient performance of the Council's task of supervising the work of the Board.»

11. PRINCIPLES OF INTERNAL AND EXTERNAL CONTROL

PRINCIPLES

- 11.1. Constant control of the group's operations and improvement of the internal control procedure
- 11.2. Identification and supervision of business risks
- 11.3. Availability of information for audit purposes
- 11.4. Operational independence of the auditor

FACTS

- The internal and external control of the operations of Latvijas Gāze takes place in compliance with the established procedure whereby a regular and independent supervision is envisaged.
- The external auditor only provides the audit services to the company and the contracted remuneration thereof is reflected in the resolution of the regular shareholders' meeting. The selection of auditor is based on the following main criteria: internationally recognised auditor company that has not provided advisory services to the company in recent years; price offer.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

11. PRINCIPLES OF INTERNAL AND EXTERNAL CONTROL

PRINCIPLES

- 11.5. Performance of independent internal inspections
- 11.6. Different terms of office for the internal auditor and Board members

FACTS

- The company has implemented an effective internal control system that, among others, ensures control in the process of preparation of financial statements. It encompasses preventive control, which maintains an environment oriented towards a sound decision-making and optimum allocation of resources, and detective control, which enables a timely detection and correction of mistakes and inaccuracies. Under the preventive control system Latvijas Gāze has laid down the strategy and goals, implemented the organisational structure, and approved a number of internal documents setting out the operational directions and processes. Examples of this system include observance of the four eyes principle, regular internal management reports, and allocation of duties.
- Risk management is integrated in both strategy development processes and operational activities.
- The function of internal control is performed by the Internal Audit Department, as well as the management bodies – the Council and its Audit Committee. The internal control of Latvijas Gāze's subsidiary JSC «Gasol» is supervised by its Council.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;

12. AUDIT COMMITTEE

PRINCIPLES

- 12.1. Specification of functions and responsibility in the Regulation of the Audit Committee
- 12.2. Effective operation of the Audit Committee
- 12.3. Availability of information on accounting methods
- 12.4. Availability of information to the committee for its operational purposes
- 12.5. The Audit Committee reports to the Shareholders' meeting

FACTS

- The Audit Committee of Latvijas Gāze is composed of three members. Two of them are independent and one is a Council member. The Regulation of the Audit Committee is available on the [company's website under Investors / Corporate governance](#).
- The Audit Committee performed the duties prescribed by the [European Union Regulation No.537/2014](#) and the [Financial Instrument Market Law](#).
- The Committee worked in compliance with its regulation, was composed of competent specialists and received the information necessary to it.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;



REMUNERATION POLICY

13. GENERAL PRINCIPLES, TYPES AND CRITERIA FOR SETTING REMUNERATION

PRINCIPLES

- 13.1. A remuneration policy in place
- 13.2. Separation of management bodies in the process of remuneration policy drafting
- 13.3. Variable part of remuneration linked to performance
- 13.4. Capped variable part of remuneration
- 13.5. The principle is not applicable (remuneration in shares)
- 13.6. Possibility to reclaim the variable part if unduly granted
- 13.7. – 13.9. The principles are not applicable (remuneration in shares)
- 13.10. Set principles of compensation to officials upon termination of their employment contract
- 13.11. Capped amount payable upon termination of employment relationship

FACTS

- In 2019 there was a new remuneration policy for Board and Council members drafted and approved by the Board, with all core principles of setting remuneration observed.
- As before, the level of remuneration is set considering the company's characteristics such as turnover, assets and number of employees.
- The remuneration policy is due for review at the Shareholders' meeting on March 30, 2020 and its draft will be available on the [company's website](#) 30 days before the meeting, and the approved edition – permanently.
- Latvijas Gāze does not use remuneration systems with shares as remuneration.

■ The principle is fully observed;

■ The principle is fully observed;

■ The principle is not applicable;

14. REMUNERATION REPORT

PRINCIPLES

- 14.1. Publication of the remuneration report
- 14.2. Disclosed information on the application of the remuneration policy and the management bodies' remuneration level
- 14.3. Duplication of the volume of disclosed information is avoided
- 14.4. If remuneration data is commercially sensitive and not disclosed, the reason of non-publication is specified
- 14.5. Disclosed information on each Council and Board member's remuneration and other income
- 14.6. The principle is not applicable (remuneration in shares)
- 14.7. Disclosed information on contributions to private pension plans
- 14.8. The principle is not applicable (remuneration in shares)

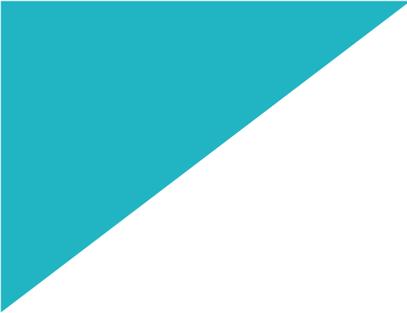
FACTS

- Latvijas Gāze presented information:
 - in the financial statements – on the total remuneration of the Board and the Council and contributions to private pension funds;
 - in the resolutions of the shareholders' meeting – information on the fixed monthly remuneration of Council members and the relative amount of compensation upon leaving the position.
- Information on the linkage of remuneration to performance, including the criteria of linkage, is included in the company's Remuneration policy.
- Latvijas Gāze finds that more detailed information on remuneration would be commercially sensitive, especially given the current competition among natural gas traders. However, the company has decided to publish an extended Remuneration report for the financial year starting January 1, 2020.

■ The principle is fully observed;

■ The principle is partially observed;

■ The principle is not applicable;



ANNEX

Nasdaq Riga Principles of Corporate Governance and Recommendations on their Implementation

SHAREHOLDERS' MEETING

Shareholders realise their right to participate in the management of the Issuer at shareholders' meetings. In compliance with legal acts, the Issuer shall call the regular shareholders' meeting at least once a year. Extraordinary shareholders' meetings shall be called as required.

1. Ensuring shareholders' rights and participation at shareholders' meetings

The Issuer shall ensure equal attitude towards all shareholders who hold shares of the same category. All shareholders shall have equal rights to participate in the management of the Issuer – to participate at shareholders' meetings and receive information that shareholders need in order to make decisions.

1.1. It shall be important to ensure that all holders of shares of one category have also equal rights, including the right to receive a portion of the Issuer's profit as dividends or in another way in proportion to the number of shares owned by them if such right is stipulated for the shares owned by them.

1.2. The Issuer shall prepare a policy for the distribution of profit. In the preparation of the policy, it is recommended to take into account not only the provision of immediate benefit for the Issuer's shareholders by paying dividends to them but also the expediency of profit reinvesting, which would increase the value of the Issuer in future. It is recommended to discuss the policy of profit distribution at a shareholders' meeting thus ensuring that as many shareholders are possible have the opportunity to acquaint themselves with it and to express their opinion on it. The Report shall specify where the Issuer's profit distribution policy is made available.

1.3. In order to protect the Issuer's shareholders' interest to a sufficient extent, not only the Issuer but also any other persons who, under the procedure stipulated in legislative acts, call, announce and organise a shareholders' meeting are asked to comply with all issues referred to in these Recommendations in relation to calling shareholders' meetings and providing shareholders with the required information.

1.4. Shareholders of the Issuer shall be enabled to timely and regularly receive all the required information on the Issuer, participate at meetings, and vote on agenda issues. The Issuer shall take every possible action to achieve that as many shareholders as possible participate at meetings; therefore, the time and place of a meeting should not restrict the attendance of a meeting by shareholders. Furthermore, it shall not be admissible to change the time and place of an announced shareholders' meeting shortly before the meeting, which would thus hinder or even make it impossible for shareholders to attend the meeting.

1.5. The Issuer shall inform its shareholders of calling a shareholders' meeting by publishing a notice in compliance with the procedure and the time limits set forth in legislative acts. The Issuer is asked to announce the shareholders' meeting as soon as the decision on calling the shareholders' meeting has been taken; in particular, this condition applies to extraordinary shareholders' meetings. The information on calling a shareholders' meeting shall also be published on the Issuer's website, where it should be available in at least one foreign language. It is recommended to use the English language as the said other language so that the website could be used also by foreign investors. When publishing information on calling a shareholders' meeting, the initiator of calling the meeting shall also be specified.

1.6. The Issuer shall ensure that complete information on the course and time of the meeting, the voting on decisions to be adopted, as well as the agenda and draft decisions on which it is planned to vote at the meeting is available to the shareholders in due time. The Issuer shall also inform the shareholders whom they can address to receive answers to any questions on the arrangements for the shareholders' meeting and the agenda issues and ensure that the required additional information is provided to the shareholders.

1.7. The Issuer shall ensure that at least 14 (fourteen) days prior to the meeting the shareholders have the possibility to acquaint themselves with the draft decisions on the issues to be dealt with at the meeting, including those submitted additionally after the announcement on calling the meeting. The Issuer shall ensure the possibility to read a complete text of the draft decisions, especially if they apply to voting on amendments to the Issuer's articles of association, election of the Issuer's officials, determination of their remuneration, distribution of the Issuer's profit and other issues.

1.8. In no way may the Issuer restrict the right of the shareholders to nominate representatives of the shareholders for council elections. The candidates to the council and candidates to other offices shall be nominated in due time so that the information on the said persons be available to the shareholders to the extent stipulated in Clause 1.9 of this Section at least 14 (fourteen) days prior to the shareholders' meeting.

1.9. Particular attention shall be paid to making sure that the shareholders at least 14 (fourteen) days prior to the shareholders' meeting have the possibility to acquaint themselves with information on council member candidates and audit committee member candidates whose approval is planned at the meeting. When disclosing the said information, a short personal biography of the candidates shall be published.

1.10. The Issuer may not restrict the right of shareholders to consult among them during the meeting if it is necessary for taking a decision or clarifying an issue.

1.11. To provide shareholders with complete information on the course of the shareholders' meeting, the Issuer shall prepare the regulations on the course of shareholders' meeting, in which the agenda of shareholders' meeting and the procedure for solving any organisational issues connected with the shareholders' meeting (e.g., registration of participants, the procedure for the adoption of decisions on the issues to be dealt with at the meeting, the Issuer's actions in case any of the issues on the agenda is not dealt with, if it is impossible to adopt a decision etc.). The procedures adopted by the Issuer in relation to participation in voting shall be easy to implement.

1.12. The Issuer shall ensure that during the shareholders' meeting the shareholders have the possibility to ask questions to the candidates to be elected at the shareholders' meeting and other attending representatives of the Issuer. The Issuer shall have the right to set reasonable restrictions on questions, for example, ruling out the possibility that one shareholder uses up the total time provided for asking of questions and setting a time limit of speeches.

1.13. When entering the course and contents of discussions on the agenda issues to be dealt with at the shareholders' meeting in the minutes of shareholders' meeting, the chairperson of the meeting shall ensure that, in case any meeting participant requires it, particular debates are reflected in the minutes or that shareholder proposal or questions are appended thereto in written form.

2. Participation of members and member candidates of the Issuer's management bodies at shareholders' meetings

Shareholders' meetings shall be attended by the Issuer's board members, auditors, and as many council members as possible.

2.1. The attendance of members of the Issuer's management bodies and auditor at shareholders' meetings shall be necessary to ensure information exchange between the Issuer's shareholders and members of management bodies as well as to fulfill the right of shareholders to receive answers from competent persons to the questions submitted. The attendance of the auditor shall not be mandatory at shareholders' meetings at which issues connected with the finances of the Issuer are not dealt with. By using the right to ask questions shareholders have the possibility to obtain information on the circumstances that might affect the evaluation of the financial report and the financial situation of the Issuer.

2.2. Shareholders' meetings shall be attended by the Issuer's official candidates whose election is planned at the meeting. This shall in particular apply to council members. If a council member candidate or auditor candidate is unable to attend the shareholders' meeting due to an important reason, it shall be admissible that this person does not attend the shareholders' meeting. In this case, all the substantial information on the candidate shall be disclosed before the shareholders' meeting.

2.3. During a shareholders' meeting, the participants shall have the possibility to obtain information on officials or official candidates who do not attend the meeting and the reasons thereof. The reason of non-attendance shall be entered in the minutes of shareholders' meeting.

BOARD

The board is the Issuer's executive body which manages and represents the Issuer in its everyday business, therefore the Issuer shall ensure that it is efficient, able to take decisions, and committed to increase the value of the company, and its obligations and responsibilities shall to be clearly determined.

3. Obligations and responsibilities of the Board

The Issuer shall clearly and expressively determine the obligations and authorities of the board and responsibilities of its members, thus ensuring a successful work of the board and an increase in the Issuer's value.

3.1. The board shall have the obligation to manage the business of the Issuer, which includes also the responsibility for the realisation of the objectives and strategies determined by the Issuer and the responsibility for the results achieved. The board shall be responsible for the said to the council and the shareholders' meeting. In fulfillment of its obligations, the board shall adopt decisions guided by interests of all shareholders and preventing any potential conflict of interests.

3.2. The powers of the board shall be stipulated in the Board Regulations or a similar document, which is to be published on the website of the Issuer. This document shall also be available at the registered office of the Issuer.

3.3. The board shall also be responsible for compliance with all the binding regulatory acts, risk management, as well as the financial activity of the Issuer.

3.4. The board shall perform certain tasks, including:

- 1) corporate strategies, work plan, risk control procedure, assessment and advancement of annual budget and business plans, ensuring control on the fulfillment of plans and the achievement of planned results;
- 2) selection of senior managers of the Issuer, determination of their remuneration and control of their work and their replacement, if necessary, in compliance with internal procedures (e.g. personnel policy adopted by the Issuer, remuneration policy etc.);
- 3) timely and qualitative submission of reports, ensuring also that the internal audits are carried out and the disclosure of information is controlled.

3.5. In annual reports, the board shall confirm that the internal risk procedures are efficient and that the risk management and internal control have been carried out in compliance with the said control procedures throughout the year.

3.6. It shall be preferable that the board submits decisions that determine the objectives and strategies for achievement thereof (participation in other companies, acquisition or disposal of property, opening of representation offices or branches, expansion of business etc) to the Issuer's council for approval).

4. Board composition and requirements for board members

The board composition approved by the Issuer shall be able to ensure a sufficiently critical and independent attitude in assessing and taking decisions.

4.1. In composing the board, it shall be observed that every board member has appropriate education and work experience. The Issuer shall prepare a summary of the requirements to be set for every board member, which specifies the skills, education, previous work experience and other selection criteria for every board member.

4.2. On the Issuer's website, the following information on every Issuer's board member shall be published: name, surname, year of birth, education, office term, position, description of the professional experience of last three years, number of shares of the Issuer or its parent companies/subsidiaries owned by the member, information on positions in other capital companies.

4.3. In order to fulfill their obligations successfully, board members shall have timely access to accurate information on the activity of the Issuer. The board shall be capable of providing an objective evaluation on the activity of the Issuer. Board members shall have enough time for the performance of their duties.

4.4. It is not recommended to elect one and the same board member for more than four successive terms. The Issuer shall evaluate whether its development will be facilitated as a result of that and whether it will be possible to avoid a situation where greater power is concentrated in hands of one or a number of separate persons due to their long-term work at the Issuer. If, however, such election is admitted, it shall be recommended to consider to change the field of work of the relevant Board member at the Issuer.

5. Identification of interest conflicts in the work of board members

Every board member shall avoid any interest conflicts their work and be utmostly independent from any external circumstances and willing to assume responsibility for the decisions taken and comply with the general ethical principles in adopting any decisions connected with the business of the Issuer.

5.1. It shall be the obligation of every board member to avoid any, even only supposed, interest conflicts in his/her work. In taking decisions, board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.

5.2. A board member shall immediately notify other board members of any interest conflict or even a possibility thereof. Board members shall notify of any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the board member in question, as well as inform of any interest conflicts occurred during the validity period of concluded agreements. For the purposes of these recommendations the following shall be regarded as persons who have close relationship with a board member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the board member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a board member: legal persons where the board member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.

5.3. Board members should not participate in taking decisions that could cause an interest conflict.

COUNCIL

Under the legal acts, a council is the body that supervises the Issuer and represents the interests of shareholders between meetings in cases stipulated in the law and in the articles of association of the Issuer, supervises the work of the board.

6. Obligations and responsibilities of the council

The objective of the Issuer's council is to act in the interests of all shareholders, ensuring that the value of the Issuer grows. The Issuer shall clearly determine the obligations of the council and the responsibility of the council members, as well as ensure that individual council members or groups thereof do not have a dominating role in decision making.

6.1. The functions of the council shall be set forth in the council regulation or a document equivalent thereto that regulates the work of the council, and it shall be published on the Issuer's website. This document shall be also available at the Issuer's office.

6.2. The supervision carried out by the council over the work of the board shall include supervision over the achievement of the objectives set by the Issuer, the corporate strategy and risk management, the process of financial accounting, the board's proposals on the utilisation of the profit of the Issuer, and the business performance of the Issuer in compliance with the requirements of regulatory enactments. The council should discuss each of the said matters and express its opinion at least annually, complying with the frequency of calling council meetings as laid down in regulatory enactments, and the results of discussions shall be reflected in the minutes of the council's meetings.

6.3. The council and every its member shall be responsible for having all the information required for them to fulfill their duties, obtaining it from board members and internal auditors or, if necessary, from employees of the Issuer or external consultants. To ensure information exchange, the council chairperson shall contact the Issuer's board, inter alia the board chairperson, on a regular basis and discuss all the most important issues connected with the Issuer's business and development strategy, business activities, and risk management.

6.4. When determining the functions of the council, it shall be stipulated that every council member has the obligation to provide explanations in case the council member is unable to participate in council meetings. It is recommended to disclose information on the council members who have not attended more than a half of the council meetings within a year of reporting, also providing the reasons for non-attendance.

7. Council composition and requirements for council members

The council structure determined by the Issuer shall be transparent and understandable and ensure a sufficiently critical and independent attitude in evaluating and taking decisions.

7.1. The Issuer shall require every council member as well as council member candidate who is planned to be elected at a shareholders' meeting that they submit to the Issuer the following information: name, surname, year of birth, education, office term as a council member, description of the professional experience of last three year, number of shares of the Issuer or its parent companies/subsidiaries owned by the member, information on positions in other capital companies. The said information shall also be published also on the Issuer's website, providing, in addition to the said information, the term of office for which the council member is elected, his/her position, including additional positions and obligations, if any.

7.2. When determining the requirements for council members as regards the number of additional positions, attention shall be paid that a council member has enough time to perform his or her duties in order to fulfill their duties successfully and act in the interests of the Issuer to a full extent.

7.3. In establishing the Issuer's council, the qualification of council members shall be taken into account and assessed on a periodical basis. The council shall be composed of individuals who together possess the variety of knowledge, opinions and experience required for the council to fulfill their tasks successfully.

7.4. Every council member in his or her work shall be utmostly independent from any external circumstances and have the will to assume responsibility for the decisions taken and comply with the general ethical principles when taking decisions in relation to the business of the Issuer.

7.5. It is impossible to compile a list of all circumstances that might threaten the independence of council members or that could be used in assessing the conformity of a certain person to the status of an independent council member. Therefore, the Issuer, when assessing the independence of council members, shall be guided by the independence criteria of council members specified in the Annex hereto.

7.6. It is recommended that at least a half of council members are independent according to the independence criteria specified in the Annex hereto. If the number of council members is an odd number, the number of independent council members may be one person less than the number of the council members who do not conform to the independence criteria specified in the Annex hereto.

7.7. A person shall be deemed independent if he/se conforms to the independence criteria specified in the Annex hereto. If a council member does not conform to any of the independence criteria specified in the Annex hereto but the Issuer does consider the council member in question to be independent, it shall provide an explanation of its opinion in detail on the tolerances permitted.

7.8. The conformity of a person to the independence criteria specified in the Annex hereto shall be evaluated already when the council member candidate in question has been nominated for election to the council. The Issuer shall every year specify in the Report who of the council members are considered independent.

8. Identification of interest conflicts in the work of council members

Every council member shall avoid any interest conflicts in his/her work and be utmostly independent from any external circumstances. Council members shall comply with the general ethical principles in adopting any decisions connected with the business of the Issuer and assume responsibility for the decisions taken.

8.1. It shall be the obligation of every council member to avoid any, even supposed, interest conflicts in his/her work. When taking decisions, board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.

8.2 A council member shall immediately notify other council members of any interest conflict or even a possibility thereof. Council members shall notify of any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the council member in question, as well as inform of any interest conflicts occurred during the validity period of concluded agreements. For the purposes of these recommendations the following shall be regarded as persons who have close relationship with a council member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the council member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a council member: legal persons where the council member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.

8.3. A council member who is in a possible interest conflict should not participate in taking decisions that might be a cause of an interest conflict.

DISCLOSURE OF INFORMATION

A good practice of corporate governance for an Issuer whose shares are included in the market regulated by the stock exchange means that the information disclosed by the Issuer has to provide a view on the economic activity of the Issuer and its financial results. This facilitates a justified pricing of financial instruments in public circulation as well as trust in the financial and capital markets. The disclosure of information is closely linked with investor relations which could be defined as the process of developing the Issuer's relations with its potential and existing investors and other parties interested in the business of the Issuer.

9. Transparency of the Issuer's business

The information disclosed by the Issuer shall be provided in due time and allow the shareholders to assess the management of the Issuer, to get an idea of the business and financial results of the company, and to take well-grounded decisions in respect of the shares owned by them.

9.1. The structure of corporate governance shall be established in a manner that ensures provision of timely and exhaustive information on all substantial matters concerning the Issuer, including its financial situation, business results, and the structure of owners.

9.2. The information disclosed shall be proven, precise, unambiguous and prepared in compliance with high-quality standards.

9.3. The Issuer should appoint a person who would be entitled to contact the press and other mass media on behalf of the Issuer, thus ensuring uniform distribution of information and avoiding publication of contradictory and untruthful information, and could be contacted, if necessary, by the Stock Exchange and investors.

9.4. The Issuer shall prepare and disclose its financial statements and annual reports in due time and in compliance with the existing requirements. The procedure for the preparation of reports should be stipulated in the internal procedures of the Issuer.

10. Investor relations

Given that the financial instruments of the Issuer are offered on a regulated market, investor relations (hereinafter – the IR) and the development and maintenance thereof is a key area of activity, with special attention paid to making equal, timely and sufficient information available to all investors.

10.1. The main objectives of the IR are the provision of accurate and timely information on the business of the Issuer to participants of the financial market, as well as the provision of feedback, i.e. receiving references from the existing and potential investors and other persons. In the realisation of the IR process, it shall be borne in mind that the target group consists not only of institutional investors and financial market analysts. A greater emphasis should be put on individual investors, and more importance should be placed to informing other interested parties: employees, creditors and business partners.

10.2. The Issuer shall provide all investors with an equal and easily accessible important information related to the Issuer's business, including financial position, ownership structure and management. The Issuer shall present the information in a clear and understandable manner, disclosing both positive and negative facts, thus providing the investors with a complete and comprehensive information on the Issuer, allowing the investor to assess all information before deciding.

10.3. A number of channels shall be used for the information flow in the IR. The IR strategy of the Issuer shall be created using both the possibilities provided by technologies (website) and relations with mass media and the ties with the participants of financial market. Considering the development stage of modern technologies and the accessibility thereof, the Internet is used in the IR of every modern company. This type of media has become one of the most important means of communications for the majority of investors.

10.4. The basic principles to be observed by the Issuers in preparing the IR section of their websites :

1) the IR section of the website shall be perceived not only as a store of information or facts but also as one of the primary means of communication to inform the existing and potential shareholders;

2) all visitors of the IR section of the website shall have the possibility to obtain conveniently all the information published there. Information on the website shall be published in all the foreign languages in which the Issuer normally distributes information so that in no way would foreign investors be discriminated. However, it shall be taken into account that information must be disclosed at least in Latvian and English;

3) it is recommended to consider a solution that would allow the existing and potential investors to maintain ties with the Issuer by using the IR section of website – submit questions and receive answers thereto, order the most recent information, express their opinions etc.;

4) the information published on the website shall be updated on a regular basis, and the news in relation to the Issuer and its business shall be published in due time. It shall not be admissible to keep outdated information that could mislead investors on the website;

5) after the website is created, the creators themselves should assess the IR section of the website from the point of view of users – whether the information of interest can be found easily, whether the information published provides answers to the most important questions etc.

10.5. The Issuer shall ensure that at least the following information is contained in the IR section of the website:

- 1) general information on the Issuer - history of its establishment and business, registration data, description of industry, main types of business;
- 2) the Issuer's Report ("observe or explain") on compliance with the principles of corporate governance;
- 3) number of financial instruments issued and paid, specifying how many of them are included in a regulated market;
- 4) information on shareholders' meetings, draft decisions to be reviewed, decisions adopted – at least for the last reporting year;
- 5) the Issuer's articles of association;
- 6) the Issuer's board or council regulation or a document equivalent thereto that governs its work, as well as the Issuer's remuneration policy (or a reference where it is made available) and the shareholders' meeting procedure regulation, if one has been adopted;
- 7) information on the performance of the Issuer's Audit Committee;
- 8) information on the Issuer's present council and board members (each individually): work experience, education, number of the Issuer's shares owned by the member (as at the beginning of year; the information shall be updated as required but at least annually), information on positions in other capital companies, and the term of office;
- 9) the Issuer's shareholders who own at least 5% of the Issuer's shares; and information on changes of shareholders;
- 10) financial statements and annual reports of the Issuer prepared in compliance with the procedure stipulated in legal acts and the Stock Exchange regulations;
- 11) any other information to be disclosed by the Issuer, e.g. information on any substantial events, the Issuer's press releases, archived information on the Issuer's financial and annual reports on previous periods etc.

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 enactments and business principles. Internal control helps the Board to identify the shortcomings and risks in the management of the Issuer as well as facilitates the efficient performance of the Council's task of supervising the work of the Board.

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

To ensure successful work of the Issuer, there shall be a continuous planning of its controls and a procedure of internal and external (audit) control in place.

11.1. To ensure successful operation, the Issuer shall control its work on a regular basis and lay down the procedure of internal control.

11.2. The objective of risk management is to ensure that the risks associated 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 describe the most essential potential and existing risks in relation to the business of the Issuer.

11.3. The auditor shall be granted access to the information required for the fulfillment of the auditor's tasks and the possibility to attend council and board meetings at which financial and other matters are dealt with.

11.4. The auditor shall be independent in its work and its task shall be to 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.

11.5. It is recommended to carry out an independent internal control at least annually to assess the work of the Issuer, including its conformity to the procedures approved by the Issuer.

11.6. 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.

12. 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.

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

12.2. To ensure 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.

12.3. All Audit Committee members shall have access to the information about the accounting principles practiced by the Issuer. The 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 the information specified in the legislation.

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

12.5. Within its scope, the Audit Committee shall adopt resolutions and be accountable to the shareholders' meeting for its operations.

REMUNERATION POLICY

13. General principles, types and criteria for setting remuneration

The policy of the remuneration of board and council members – the type, structure and amount of remuneration – is one of the areas where the persons involved have a potentially greater risk to find themselves in an interest conflict situation. To avoid it, the Issuer shall develop a clear remuneration policy, specifying the general principles, types and criteria for the remuneration to be awarded to the board and council.

13.1. The Issuer shall develop a remuneration policy in which the main principles for setting the remuneration, possible remuneration schemes and other essential related issues are covered. While preparing the remuneration policy, the Issuer should ensure that the remuneration of board and council is proportionate to the remuneration of the Issuer's executive and managing directors and other employees.

13.2. Without limiting the role and operations of the Issuer's management bodies responsible for setting remuneration to the board and council members, the drafting of the remuneration policy shall be made a responsibility of the Issuer's board, which during the preparation of a draft policy should consult with the Issuer's council. In order to avoid conflicts of interest and to monitor the board's work in respect of the remuneration policy, the Issuer should appoint a person in charge of the development of the remuneration policy with sufficient experience and knowledge in the field of remuneration.

13.3. Should the remuneration policy contain a remuneration structure with a variable part in the form of the Issuer's shares or share options or any other payments, including premiums, it shall be linked to pre-defined short-term and long-term goals and performance criteria. If remuneration depends on fulfillment of short-term goals only, it is unlikely to encourage interest in the company's growth and improved performance in the long-term. The scope and structure of the remuneration shall depend on the business performance of the company, share price and other events pertaining to the Issuer.

13.4. When setting the variable part of remuneration, the Issuer should set limits on the variable component(s). The non-variable part of remuneration should be sufficient to allow the Issuer to withhold the variable part of remuneration when necessary.

13.5. Where a variable part of remuneration provides the Issuer's shares, share options or any other acquisition rights thereof, it is recommended to prescribe a minimum period of time when those cannot be used.

13.6. The remuneration policy should include provisions that permit the Issuer to reclaim the variable part of remuneration awarded on the basis of data which subsequently proved to be manifestly misstated. Such provision should be included in the contracts concluded between the respective executives and the Issuer.

13.7. Remuneration schemes that include the Issuer's shares as remuneration may theoretically cause loss to the Issuer's existing shareholders because the share price might drop due to a new issue of shares. Therefore, prior to the preparation and approval of this type of remuneration, it shall be required to assess the possible benefits or losses.

13.8. When preparing the remuneration policy where a variable part is in the form of the Issuer's shares or share options, the Issuer shall be obliged to disclose information on how the Issuer plans to ensure the amount of shares to be granted under the approved remuneration schemes – whether it is planned to obtain them by buying on a regulated market or by issuing new shares.

13.9. While drafting the remuneration policy and envisaging the award of options entitling to the Issuer's shares, the Stock Exchange rules regarding the distribution of share options shall be taken into account.

13.10. While setting remuneration principles with regard to board and council members, they shall include the general approach as to compensations, if any, in cases when contracts with the said officials are terminated (termination payments). No termination payments should be paid if the termination is due to inadequate performance.

13.11. It is recommended to set an adequate maximum amount of termination payments which should not be higher than two years of the non-variable part of remuneration.

14. Remuneration report

A clear and complete report on the remuneration policy with regard to the management body members of the Issuer shall be made available to the shareholders. A public disclosure of the said information would allow the existing and potential shareholders to carry out a comprehensive evaluation of the Issuer's approach to remuneration issues; consequently, the Issuer's responsible body shall draft and make public the Remuneration Report.

14.1. The Issuer is obliged to make public the Remuneration Report – a complete report on the remuneration policy applied to the members of the Issuer's management bodies. The Remuneration Report may be a separate document, or integrated in a special chapter of the Report prepared by the Issuer as recommended by Item 9 of the Introduction of the present Recommendations. The Remuneration Report shall be posted on the Issuer's website.

14.2. The Remuneration Report should contain at least the following information:

- 1) information as to the application of the remuneration policy to board and council members in the previous financial year, specifying the material changes to the Issuer's remuneration policy compared to the previous reporting period;
- 2) the proportion between the fixed and variable part of the remuneration for the respective category of officials, including information with regard to vesting periods of the variable part of remuneration;
- 3) sufficient information as to linking the remuneration with performance. In order for the information to be considered sufficient, the report should contain: - an explanation how the choice of performance criteria contributes to the long term interests of the Issuer; - an explanation of the methods applied in order to determine whether the performance criteria have been fulfilled;
- 4) information about the Issuer's policy with regard to the contracts with the members of the Issuer's management bodies, the terms and conditions of the contracts (duration, notice deadlines about termination, including payments due in case of termination);
- 5) information about the incentive schemes and the specifications and reasons for awarding any other benefits;
- 6) a description of any pension or early retirement schemes;
- 7) an overview of the remuneration paid to or any benefits received by each individual that has been board or council member in the reporting period – disclosing at least the information required in Items 14.5, 14.6 and 14.7 below.

14.3. To avoid overlapping of information, the Issuer, while preparing its Remuneration Report, may omit the information required in Items 14.2 1) to 7) above, provided it is a part of the Issuer's Remuneration Policy document. In such case, the Remuneration Report shall have a reference to the Remuneration Policy, together with an indication of where it is available.

14.4. If the Issuer believes that, as a result of following the provisions of Item 14.2 of these Recommendations, sensitive business information might become public to the detriment of the Issuer's strategic position, the Issuer may not disclose such information and give the reasons.

14.5. The following remuneration and other benefits related information about each board and council member shall be disclosed :

- 1) the total amount paid or outstanding (salary) for the reporting year;
- 2) the remuneration and other benefits received from any company associated with the Issuer. For the purposes of this Item, "associated undertaking" is a company according to the definition in Section 1 of the Financial Instrument Market Law;
- 3) remuneration paid as profit distribution or bonus, and the reasons for awarding such remuneration;
- 4) compensation for fulfillment of duties beyond the regular job responsibilities;
- 5) compensation and any other payments received or to be received by a board or council member who has left the position during the accounting period;
- 6) the total value of any other benefits apart from those listed under Items 1) to 5) received as remuneration.

14.6. The following information shall be disclosed with regard to the shares and/or share options or any other incentive schemes resulting in ownership of the Issuer's shares:

- 1) the number and holding conditions of shares or share options entitling to the Issuer's shares granted over the reporting period to the members of the Issuer's management bodies;
- 2) the number of options entitling to the Issuer's shares exercised during the reporting period, specifying the price and the number of shares obtained, or the unit value held by the member of the Issuer's management body in a share-related incentive scheme as at the end of the reporting year;
- 3) the number of non-exercised options entitling to the Issuer's shares as at the end of the reporting year, the share price in the contract, the expiry date and the key rules for exercising the option;
- 4) information changes, if any, introduced during the reporting period with regard to the provisions of the contracts on options entitling to the Issuer's shares (such as changes in the option exercising rules, change of the expiry date etc.).

14.7. The following information shall be disclosed with regard to savings or contributions to pension schemes of private pension funds:

- 1) the amount of contributions made by the Issuer, to the benefit of individuals, to a pension scheme or schemes, and the rules for disbursement of the pension capital;
- 2) the participation rules, including termination of participation, to the respective pension scheme, applicable the concrete individual.

14.8. Remuneration schemes involving the awarding of the Issuer's shares, share options or any other tools resulting in ownership of the Issuer's shares shall be approved by the annual general meeting of shareholders. The shareholders' meeting, while resolving on the approval of the remuneration scheme, shall not resolve on its application to concrete individuals.

ANNEX

INDEPENDENCE CRITERIA OF COUNCIL MEMBERS

A member of the Issuer's council shall be considered independent if he/she :

- 1) has not been a board or council member of the Issuer, its associated company or a shareholder that controls the Issuer in the previous three years and does not hold the said office also within the time period when holding the office of council member. A company associated with the Issuer shall mean a company which is included in the consolidated financial report of the Issuer or the consolidated report of which the Issuer is included in;
- 2) is not an employee of the Issuer, its associated company or a shareholder which controls the Issuer, except when the council member candidate in question has been appointed for election to the council as a representative of the Issuer's employees;
- 3) apart from the remuneration received as a council member, does not receive or has not received any substantial additional remuneration from the Issuer, its associated company or a shareholder that controls the Issuer;
- 4) neither directly or indirectly represents the shareholders that control the Issuer;
- 5) neither as of the approval nor within the last year prior to approval as a council member has been in direct or indirect substantial business relations with the Issuer, its associated company or a shareholder that controls the Issuer directly or as a partner, shareholder or a senior manager;
- 6) within the last three years has not been an internal controller, auditor or employee at a company which is the external auditor of the Issuer, its associated company or a shareholder that controls the Issuer;
- 7) is not a board member or another managing employee at a company at which the Issuer's board member performs the functions of a council member and does not have any other essential relations with the Issuer's board members by participating in other companies or organisational units (mutually connected control relations);
- 8) has not been the Issuer's council member for more than 10 (ten) successive years;
- 9) is not a family member (for the purposes of this clause a family member is a spouse , a parent, or a child) of a board member or a person to whom the criteria specified in sub-clauses (1) to (8) of this Annex apply.