

APPROVED
Supervisory board of LLC 'Rīgas ūdens'
at its meeting of 18 June 2024
Minutes No. 22.4.5/2024/8



CORPORATE GOVERNANCE POLICY

Riga, 2024

Version 3.1

CONTENTS

I.	GENERAL PROVISIONS.....	3
II.	CORPORATE GOVERNANCE SYSTEM AND PRINCIPLES.....	4
III.	THE COMPANY'S MANAGEMENT BOARD	4
IV.	SUPERVISORY BOARD OF THE COMPANY	5
V.	STRATEGY OF THE COMPANY	5
VI.	INTERNAL CULTURE AND ETHICAL BEHAVIOUR	6
VII.	INTERNAL CONTROL SYSTEM, RISK MANAGEMENT AND INTERNAL AUDIT	7
VIII.	EXTERNAL AUDITOR	8
IX.	ELECTION OF THE SUPERVISORY BOARD MEMBERS	8
X.	PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD	8
XI.	ORGANISING THE SUPERVISORY BOARD'S WORK AND TAKING DECISIONS	9
XII.	PREVENTION OF CONFLICT OF INTEREST	10
XIII.	THE SHAREHOLDERS AND THE SHAREHOLDERS' MEETING	10
XIV.	TRANSPARENCY OF OPERATIONS.....	12
XV.	FINAL PROVISIONS	13
XVI.	REVISION STATUS.....	13

I. GENERAL PROVISIONS

1. The purpose of the Corporate Governance Policy of LLC 'Rīgas ūdens' (the 'Company') (the 'Policy') is to establish a unified corporate governance approach in the Company in order to facilitate the achievement of the Company's objectives, effective management, rational and economically sound use of resources, fair business operations, and to ensure ethical, responsible and transparent operation of the Company.
2. The corporate governance principles contained in the Policy have been developed in accordance with the Corporate Governance Code "Recommendations for Good Corporate Governance in Latvia" (2020) developed by the Corporate Governance Advisory Council established by the Ministry of Justice of the Republic of Latvia. The Policy covers requirements in the area of corporate governance stipulated in the Riga City Council Internal Regulation No. 4 of 21.08.2020 "Procedure for the Governance of Capital Shares and Capital Companies Owned by the Riga City Municipality".
3. In order to implement uniform corporate governance principles, the Company also develops other policies that reinforce the Company's operating principles, which generally contribute to the prerequisites for achieving the Company's objectives, preserving and increasing value, and serve as guidelines in other internal regulatory documents of the Company.
4. The Policy is binding to all the Employees, including the Management Board, and the Supervisory Board of the Company.

Definitions of terms:

- 1.1. *conflict of interest - a situation in which an employee, in the performance of his or her duties, is required to take or participate in a decision or to take any other action related to his or her duties which affects or may affect the personal or pecuniary interests of the employee, his or her relatives or business associates;*
- 1.2. *corrupt and fraudulent practices - bribery or any other practice by a person aimed at obtaining an undue advantage for himself or herself or others by using or exceeding his or her official position or authority;*
- 1.3. *internal whistleblowing system - a management and internal control tool of the Company that helps to prevent violations in time before the Company's reputation is jeopardised, it suffers losses or the competent state authorities are involved;*
- 1.4. *stakeholders - persons or groups of persons whose interests may be affected by the Company's activities throughout its value chain and who may influence the Company's activities;*
- 1.5. *external auditor - a third party independent of the organisation that carries out the audit process and provides an opinion on the Company's annual report.*

II. CORPORATE GOVERNANCE SYSTEM AND PRINCIPLES

2. LLC (SIA) 'Rīgas ūdens' is a company owned by Riga City Local Government (the 'Local Government') operating in a strategically important sector, ensuring the performance of the municipality's autonomous function in the field of public water management services.
3. The corporate governance framework comprises a set of relationships between the Company's Management Board, Supervisory Board, institutions involved in the management of the shares owned by the Local Government and other stakeholders.
4. The Policy reflects the Company's responsibility in its relations with stakeholders - clients, the Local Government, employees, cooperation partners, supervisory authorities and public administration bodies, residents of the City of Riga and the general public.
5. The Riga City Council Internal Regulations "Procedures for the Management of Capital Shares and Capital Companies Owned by the Riga City Local Government" define the municipal institutions and other organisations involved in the institutional system of the Company's corporate governance.
6. The Company implements the principles of corporate governance in all areas of the Company's activities and at all levels of its organisational structure, and in cooperation with all stakeholders.
7. The Company has a clear division of roles, powers and responsibilities. The Local Government exercises the management of capital shares, respecting the competence and powers of the shareholder's representative, the meeting of shareholders, the Supervisory Board and the Management Board as defined in laws and regulations. No official has unlimited decision-making and tasking powers.
8. In its day-to-day activities, the Company, in the performance of the autonomous function of the Local Government in the field of water management services, takes responsibility for its impact on society and the environment and acts in accordance with the Company's strategy and values.

III. THE COMPANY'S MANAGEMENT BOARD

9. The management of the Company's shares in the day-to-day business of managing and representing the Company jointly is carried out by its executive body, the Management Board.
10. The Company's Management Board manages and directs the Company's business activities and is responsible for proper accounting in accordance with the laws and regulations. The Management Board shall manage the property of the Company and dispose of its funds in accordance with the laws and regulations, the Articles of Association, and the resolutions of the shareholders and the

meeting of shareholders. The tasks and responsibilities of the Company's Management Board are regulated by laws and regulations. The principles governing the functioning of the Management Board, as well as its main responsibilities, are laid down in the Articles of Association and the Regulations of the Management Board.

11. The Management Board of the Company organises its work on a functional basis: each member of the Management Board is responsible for a specific area of activity, according to his or her professional knowledge, experience and competence in the area of responsibility.

IV. SUPERVISORY BOARD OF THE COMPANY

12. The Supervisory Board of the Company represents the interests of a shareholder in the intervals between the meetings of the shareholders and supervises the activities of the Management Board of the Company, is involved in the strategic development of the Company and in the supervision of the financial and risk management system.
13. The principles and main duties of the Supervisory Board are laid down in the Articles of Association and Regulations of the Supervisory Board.
14. The Supervisory Board of the Company shall not take decisions on matters that fall within the competence of the Management Board of the Company.

V. STRATEGY OF THE COMPANY

15. Strategic management is the most important governance issue contributing to the sustainable development of the Company.
16. The Company shall develop a sustainable development strategy (for a period of 10 years or longer, taking into account investment and development projects), which shall define the priority development directions of the capital company, including taking into account national and municipal policy planning documents and sustainable development plans, as applicable, and long-term objectives.
17. The overall strategic objective of the Company, which is derived from legislation, policy planning documents and the functions of the Local Government, is determined by a decision of the Riga City Council. In order to achieve its overall strategic objective, the Company develops a medium-term operational strategy (the 'Strategy').
18. The development of the Strategy takes into account the assessment of the Municipality's direct participation in the Company approved by the Riga City Council and the specific non-financial objectives of the Company in the field of centralised water supply and sewerage policy set by the Riga City Council.
19. The representative of the shareholder shall determine the financial objectives of the Company, which shall be included in the Company's Strategy. The annual

performance indicators to be achieved for the non-financial and financial objectives shall be set by the Supervisory Board of the Company when approving the Action Plan for the calendar year.

20. The development of the Company's Strategy, the fulfilment of the objectives and performance indicators, and the development of the Company's operational planning documents necessary for the achievement of the set objectives are ensured by the Management Board.
21. The Company shall develop an internal procedure setting out the procedures for the development of the Strategy and the monitoring of the Company's objectives and performance indicators.
22. The Company and the Local Government shall conclude a contract for the provision of public water management services in accordance with the procedure established by the Water Management Services Law and the Local Government.
23. The monitoring of the execution of the contract for the provision of public water management services shall be carried out by the institutions of the Local Government within the scope of their competence. The contract is publicly available on the Company's website.

VI. INTERNAL CULTURE AND ETHICAL BEHAVIOUR

24. In order to promote lawful and honest actions of the Company's Management Board, Supervisory Board and employees in the interests of the Company, to ensure a common understanding of the basic principles of professional ethics in relations and interactions with customers, business partners and other stakeholders, as well as to define the basic principles of communication between employees and colleagues and to prevent the influence of any personal interest of employees in the performance of their duties, the Company has developed a Code of Ethics approved by the Supervisory Board.
25. The core values and principles that the Company adheres to in its day-to-day operations are responsibility, sustainability, fairness and equal treatment of employees.
26. In order to implement the above principles, the Company shall develop a Policy on Prevention of Conflict of Interest and Corruption, an Internal Control System Policy, a Whistleblower Policy, a Framework for the Protection and Use of Restricted Information, a Human Resources Policy and a Privacy Policy.
27. Every employee of the Company, regardless of the position held, member of the Management Board and the Supervisory Board is responsible for ensuring that the activities performed by him/her both in the course of his/her duties and outside working hours comply with the norms of the Company's Code of Ethics and promote a positive image of the Company.
28. The Management Board monitors compliance with the Company's Code of Ethics and responds when a breach of the Code of Ethics is detected. The Company has

established an Employee Misconduct and Damage Assessment Committee and an Ethics Committee.

VII. INTERNAL CONTROL SYSTEM, RISK MANAGEMENT AND INTERNAL AUDIT

29. The Company's internal control system is a set of risk management, control and governance measures designed to ensure the achievement of the Company's objectives, efficient operation and compliance with laws and regulations.
30. The basic principles and elements of internal control are set out in the Internal Control System Policy of the Company, which has been approved by the Supervisory Board.
31. Internal audit is an integral part of the internal control system. The Company shall develop a Strategic Internal Audit Plan for five years, which the Management Board receives for approval with prior consent of the Supervisory Board and the Shareholders' Meeting, and an Internal Audit Plan for each year, subject to the prior approval of the Supervisory Board and the Stakeholders Meeting.
32. The Company establishes procedures for internal audits and follow-up of audit recommendations and for the internal auditor to inform the Management Board and the Supervisory Board on the implementation of the audit plan, the results of the audits and the progress made in implementing recommendations.
33. The Supervisory Board shall, at least once a year, evaluate the assessment provided on the effectiveness of the internal control system.
34. The Company establishes uniform and harmonised basic principles of risk management in all areas of the Company's activities. The Company develops the Risk Management Policy which is approved by the Supervisory Board.
35. The objective of risk management is to identify, assess and manage, in a timely manner, the most significant risks affecting the Company's operations and the achievement of its strategic objectives, to promote sound and appropriate decision-making to ensure the achievement of the Company's strategic objectives, thereby protecting the Company's assets from potential losses and enhancing its reputation.
36. In line with the Company's Strategy and based on the identified risk assessment, the Management Board implements risk management measures. The Management Board ensures that the most significant risks are reassessed regularly, at least annually.
37. The Supervisory Board shall examine, at least annually, the Board's reports on risk management activities and the implementation of the Risk Management Policy.
38. As part of the assessment process of the Compliance Function, Compliance Notices/Reports are prepared and presented to both the Management Board and the Supervisory Board of the Company, as appropriate, to provide the Supervisory Board with assurance that the Company is able to ensure compliance.

VIII. EXTERNAL AUDITOR

39. In accordance with the requirements of the Law on Annual Accounts and Consolidated Annual Accounts, the company's annual report is prepared annually, audited and the auditor's report on the results of the audit (examination) is provided by a certified auditor or a company of certified auditors in accordance with the Law on Auditing Services.
40. The Annual Report is approved by the Shareholders' Meeting. The annual report is accompanied by a report by the certified auditor on significant deficiencies in the economic activity or internal control system, potential risks, etc., identified during the audit, as well as information on the actions taken or planned to implement the recommendations made in the certified auditor's report to the management.
41. The Management Board of the Company shall ensure that the term of office of an external auditor does not exceed five years. The selection of the Company's external auditor and the process for setting the remuneration are open.
42. In accordance with the decision of the Shareholders' Meeting, the Audit and Control Board of the Municipal Central Administration of the Riga City Council performs planned, thematic or extraordinary audits of the Company. The planned audit in the Company is carried out at least every three years. The audit opinion is examined by the Shareholders' Meeting and the responsible committee Riga City Council.

IX. ELECTION OF THE SUPERVISORY BOARD MEMBERS

43. Nomination of the Members of the Supervisory Board is provided according to the conditions of the Cabinet Regulation No. 20 of 07.01.2020 "Procedures for the Nomination of Members of the Board and Council in Capital Companies in which Capital Shares are Owned by the State or a Derivative Public Person".
44. The nomination process for members of the Supervisory Board is open, fair and professionally organised. The representative of the shareholder shall ensure that the Supervisory Board in general has the skills, experience and knowledge to be able to discharge its duties fully. The selection process for the members of the Supervisory Board is organised by a Nomination Committee established by the shareholder.
45. The Supervisory Board of the Company shall be composed of at least one independent member. A member of the Supervisory Board is elected for a term of five years.

X. PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT

BOARD

46. A member of the Supervisory Board shall be paid a remuneration, the amount of which shall be determined by a resolution of the Shareholders' Meeting, in accordance with the maximum amount of remuneration provided for in the Cabinet Regulation No. 63 of 04.02.2020 "Regulations on the Number of Members of the Management Board and Supervisory Board of Publicly Owned Capital Companies and Publicly Owned Private Capital Companies, as well as the Maximum Monthly Remuneration of the Members of the Management Board and Supervisory Board" (hereinafter - Cabinet Regulation on Maximum Amount of Remuneration). No bonuses are paid to members of the Supervisory Board.
47. A member of the Management Board shall be paid a remuneration, the amount of which shall be determined by a decision of the Supervisory Board, subject to the Cabinet Regulation on Maximum Amount of Remuneration.
48. The Company develops a Personnel Remuneration and Selection Policy, which is approved by the Supervisory Board. The Policy includes a regulation on the procedure for determining the remuneration of a member of the Company's Management Board.
49. In order to ensure the effective functioning of the Management Board, the Management Board shall, at least once a year, independently conduct a self-evaluation of the performance of the Management Board and of each member of the Management Board. The Supervisory Board shall, at least once a year, evaluate the performance of the Management Board and of each member of the Management Board by assessing the self-assessment of the performance of the Management Board and of each member of the Management Board based on the annual objectives and targets set in accordance with the medium-term operational strategy and other decisions of the Supervisory Board or of the meeting of members.

XI. ORGANISING THE SUPERVISORY BOARD'S WORK AND TAKING DECISIONS

50. The meetings of the Supervisory Board shall be prepared, convened and organised in accordance with its rules of procedure and work schedule. The Supervisory Board shall convene as necessary, but at least quarterly. The Supervisory Board shall approve the calendar of meetings of the Supervisory Board and inform the Management Board of the Company thereof.
51. The Supervisory Board shall hold at least one separate meeting per year to discuss the Company's medium-term strategy and its implementation
52. Decisions of the Supervisory Board shall take effect on the date of their adoption, unless otherwise provided in the decision.
53. To ensure the effective functioning of the Supervisory Board, the Supervisory

Board conducts a self-evaluation of its performance. At least once a year, the representative of the shareholder shall carry out an evaluation of the performance of the Supervisory Board, assessing the self-assessment of its performance based on the fulfilment of the tasks assigned to the Supervisory Board by law and these Rules, as well as the decisions of the meeting of members.

XII. PREVENTION OF CONFLICT OF INTEREST

54. The Company has defined and effectively implemented measures to prevent corruption and conflicts of interest, which are applicable to all employees of the Company, the Management Board and the Supervisory Board. The maintenance of the internal control system for the prevention of corruption and conflicts of interest in the Company shall be ensured by the Management Board.
55. The Company shall establish a Conflict of Interest and Anti-Corruption Policy, which shall be approved by the Supervisory Board.
56. In order to ensure the prevention of conflicts of interest, the Company applies the provisions of the Law on Prevention of Conflict of Interest in the Activities of Public Officials and the guidelines established by the Corruption Prevention and Combating Bureau, ensuring that the Company has identified areas and processes of the Company's activities that may cause a risk of corruption and assessed the probability of its occurrence, as well as identified positions in the Company that are exposed to the risk of corruption.
57. Upon taking up their duties, members of the Supervisory Board and of the Management Board shall make an appropriate declaration of absence of conflicts of interest.
58. Members of the Supervisory Board or the Management Board shall not participate in the adoption of decisions on matters where the interests of the Company conflict with the interests of the Supervisory Board, the Management Board or persons related to them. A member of the Management Board and the Supervisory Board shall immediately notify the Supervisory Board or the representative of the shareholder, as the case may be, if he/she is exposed to a risk of a conflict of interest in a decision and shall withdraw from the decision or from participation in the decision.
59. The Company shall establish a Whistleblowing Policy, which shall be approved by the Supervisory Board. The Company has introduced an Internal Whistleblowing System, whereby every employee has the right to raise an alarm about a threat to the public interest or a suspected or actual violation that has been observed in the working environment. Information for whistleblowers is available on the Company's website.

XIII. THE SHAREHOLDERS AND THE SHAREHOLDERS' MEETING

60. The sole shareholder of the Company is the Riga Local Government, which owns 100% of the shares.
61. Decisions on acquisition, continuation and termination of the Local Government's participation in the Company, on the need for the Company to acquire or terminate participation and decisive influence in another Company shall be taken by the highest decision-making body of the Local Government - the Riga City Council.
62. Decisions of the shareholder in a public entity as provided for in the Law on Management of Capital Shares and Capital Companies shall be taken by the Executive Director of the Local Government or his/her nominee.
63. The Management Board of the Company shall ensure that the shareholder receives timely information about the Shareholders' Meeting by submitting to the involved institutions of the Local Government all the necessary information for decision-making. Draft decisions and accompanying materials provide detailed, clear and complete information on the matter under consideration
64. The Meeting of Shareholders shall be convened and the issues to be considered thereat shall be determined in accordance with the requirements of the Law on Management of Public Entity capital Shares and Capital Companies and other laws and regulations regulating the Company's activities, as well as the Articles of Association of the Company.
65. A Shareholders' Meeting shall be convened by the Company's Management Board, Supervisory Board, representative of the shareholder or the auditor. If the Management Board fails to convene an Ordinary General Meeting within the time limit, it shall be convened by the Supervisory Board or by a representative of the shareholder.
66. The notice of the Company on convening a shareholders' meeting together with the documents supporting and related to the issue to be discussed at the meeting shall be submitted in electronic form (in exceptional cases paper form is allowed), sent to the official electronic mail address of the municipality, ensuring the possibility for the representative of the shareholder and the Capital Companies Board of Riga City Council to get acquainted with the submitted documents in due time. The Management Board of the Company shall inform the Capital Companies Board of the need to convene a shareholders meeting and the issues to be discussed at the meeting before sending the notice so that the place and time of the meeting may be agreed.
67. The shareholders' meeting shall be held in person or remotely by electronic means. The Shareholders' Meeting adopts resolutions in accordance with the announced agenda.
68. Decisions taken at the Shareholders' Meetings shall take effect immediately after their adoption, unless the Shareholders' Meeting determines a different time for the decision to take effect. The decisions adopted by the Shareholders' Meeting are enforced by the Management Board and monitored by the Supervisory Board.

The Supervisory Board shall, at the request of the shareholder representative or the Management Board, but at least once a year, report to the shareholder representative on the progress of implementation of the decisions taken.

69. The Company's dividend policy is implemented in accordance with the requirements of laws and regulations, following the procedure established by the Riga City Council for the determination and payment of the profit share to be paid out in dividends.
70. The dividend policy ensures a balance between regular cash distributions to the Local Government and the Company's corporate sustainability objectives. The Management Board of the Company shall prepare and submit to the Ordinary General Meeting a proposal on the Company's proposed use of profits.
71. The actual amount of the Company's dividend shall be determined by the Meeting of Shareholders after approval of the Annual Report, taking into account the results of the previous Annual Report and the financial and non-financial objectives set out in the medium-term business strategy, financial situation, capital structure and business sector, market structure and investment plans. Dividends shall be paid only out of cash available to the Company.

XIV. TRANSPARENCY OF OPERATIONS

72. The Company regularly and timely informs the representative of the shareholder and other stakeholders about the Company's business, financial performance, governance and other relevant issues
73. The Company's stakeholder groups are:
 - 73.1. Internal stakeholders:
 - 73.1.1. staff, Management Board and Council;
 - 73.1.2. Shareholder and its representative.
 - 73.2. External stakeholders:
 - 73.2.1. Suppliers, service providers;
 - 73.2.2. Clients;
 - 73.2.3. Policy makers, regulating and supervisory authorities;
 - 73.2.4. Partners;
 - 73.2.5. Society.
74. The Company identifies and maps stakeholders and determines their level of involvement. To ensure a systematic approach and ongoing communication, the Company identifies the engagement metrics and the most appropriate engagement approach for each stakeholder group.
75. The Management Board of the Company shall ensure the timely disclosure of audited, accurate, fair, timely and unambiguous key financial and non-financial information.
76. The Company shall ensure that the information required by laws and regulations is made publicly available, as well as other relevant and transparency-enhancing

information, in accordance with the following basic principles:

- 76.1. **the principle of accountability** - the Company takes responsibility for the quality and truthfulness of the information provided and takes care to ensure that restricted information, including personal data, is not disclosed;
 - 76.2. **the principle of honesty and openness** - the Company ensures disclosure of key financial, non-financial and other information in accordance with the requirements of regulatory enactments, as well as accessibility and transparency of information, building relationships with stakeholders as a whole. The information provided is truthful, verified and the Company is honest in its dealings with employees, customers, and business partners;
 - 76.3. **the principle of speed and timeliness**, assessing the suitability of the **communication** channels used for the target audience, the Company plans to use a variety of communication channels in order to reach the largest possible share of the existing **and** potential target audience in all customer segments. The Company shall use diverse, reliable and secure channels of communication, and shall provide answers and up-to-date information on the Company's activities promptly and publicly.
77. The main language of communication in the Company is Latvian, but in some cases communication may also take place in other languages. Public information material is produced in accordance with the Official Language Law. In order to ensure a controlled and coordinated flow of information and communication, the company has defined the persons who will contact the media on behalf of the company.

XV. FINAL PROVISIONS

78. The Company shall also develop such other policies as the Company deems necessary to improve the corporate governance of the Company.
79. To ensure the effective use of the Company's policies, the Company's Management and Supervisory Boards continuously supervise their implementation. As necessary, but at least once a year, the Management Board reviews the Policy and make any changes necessary to ensure the effective use of internal regulations and policies.
80. The Company ensures that its employees are familiarised the Policy following the procedure set in the Company. The Policy is available via the Company's management information system and on its website.

XVI. REVISION STATUS

Version number	Date of revision	Result of the revision
V.3.0	18.06.2024.	New version V 3.1 approved.