



*Approved by
AS VIRŠI-A
extraordinary shareholders' meeting
on 28 July 2021,
Minutes No. A/2021-2*

AS VIRŠI-A
Corporate Governance Code

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1. Terms used

- 1.1. **Company** - JSC VIRŠI-A, reg. No. 40003242737.
- 1.2. **Shareholders** - any shareholder of the Company (owner of shares), as well as all shareholders of the Company in total.
- 1.3. **Employee** - any employee of the Company.
- 1.4. **Council** - any member of the Council of the Company individually, as well as the Council of the Company as a whole.
- 1.5. **Code** - this Corporate Governance Code of the Company.
- 1.6. **Management Board** - the Management Board of the Company.

2. Purpose of the Code

- 2.1. The purpose of the Corporate Governance Code is to ensure compliance with the principles of good corporate governance, which promotes the sustainability of the Company and the companies belonging to the group of the Company, modern and efficient management and the rational and economically sound use of resources.
- 2.2. The Code shall be applicable and shall be observed at all levels of the Company's governance, creating a successful and balanced system of mutual relations.
- 2.3. The expression of certain principles of corporate governance is detailed in the policies, regulations and other internal regulatory enactments of the Company, to which references are found in this Code.

3. Mission, Vision, Values and Actions

- 3.1. The Company has defined its mission, vision and values. Defined values are expressed as actions that the Company supports, promotes and expects from its employees and members of government institutions.
- 3.2. **MISSION:** We give our clients the power to do more and more.
- 3.3. **VISION:** We want to be your favourite meeting and refuelling place.
- 3.4. **VALUES AND ACTIONS**

1) The passion is our fuel:

Courage. I defend new ideas and substantiate my opinion, even if it does not correspond to the majority's views. I take responsibility and make decisions, even unpopular ones.

Initiative. I understand the situation and I am forthcoming. This often means doing more than indicated in the job description. I want to help. I am open to new ideas, education, acquisition of new knowledge and skills.

Purposefulness. I have a real interest in the development of the company and a relentless desire to achieve my individual goals just like in sports - faster, higher, stronger!

2) The power lies in our roots:

Traditions. I appreciate the achievements of the company and my colleagues and respect it. I respect Latvian and company traditions, I use them in a modern context.

Economy. I treat the company's resources and the environment responsibly.

Pride. I am proud to work for a local company. I believe in the product I sell. I am loyal to the company and I care about its reputation, therefore I say good things about it.

3) Human to human:

Respect. I respect others. I can say thank you and listen to the opinion of others, assuming it may be different from mine. Respect means never to humiliate each other and building valuable relationships with colleagues, clients and business partners.

Team. I work in a team and I am aware of the great power of mutual cooperation. Only together can we find answers that cannot be found alone. I am able to distance myself from my goals and focus on one common goal. The team helps me to understand my abilities and put them into use.

Responsibility. I am responsible to myself, colleagues and the company. I act honestly and in accordance with the values of the company. I am responsible for my words and work. You can rely on me.

4. Strategy

4.1. Sustainable development of the company takes place on the basis of two-level strategic planning:

4.1.1. **Long-term development strategy.** The Board develops the long-term strategy of the Company for five years. The long-term strategy of the Company is approved by the Council and implemented by the Management Board. The strategy is developed based on the purposes, mission and vision set by the Company. The strategy and its subordinate documents (including the annual action plan) include the development directions and goals of the company, planned results, analyse potential risks and provide the necessary resources (including financial and human resources) for the implementation of the strategy and other aspects.

4.1.2. **Annual action plan.** The Management Board, in accordance with the long-term strategy documents, develops and approves the annual action plan, which includes the annual budget of the Company, which is approved by the Council. The Management Board reports to the Council on the implementation of the annual action plan or changes during the regular meetings of the Council, and, pursuant to the request of the Council, provides information between meetings or at extraordinary meetings of the Council.

5. Governance organisation of the Company

5.1. The institutional system of the governance of the Company is formed by institutions in the following hierarchical order: Shareholders - Council - Management Board.

5.2. **Shareholders** - the owners of the Company, who are competent to make decisions related to the most significant issues of the operations and existence of the Company. Shareholders make decisions on issues specified by law.

5.3. **Council** - the supervisory institution of the Company, which represents the interests of the Shareholders between the Shareholders' Meetings and supervises the activities of the Management Board within the framework specified by legal acts. The Council shall not have the right to decide on issues that fall within the competence of the Management Board.

5.4. **Management Board** - the executive body of the Company, which manages and represents the Company. The Management Board manages the daily commercial activity of the Company and makes all decisions that are not within the exclusive competence of the Council or the Shareholders.

6. Shareholders

6.1. Rights and obligations of the Shareholders:

6.1.1. Shareholders have the right and obligation to participate in the adoption of certain decisions related to the operations of the Company, as a result of the implementation of which the rights of Shareholders are exercised;

6.1.2. The Shareholder of the Company has the right to timely and regularly obtain relevant and important information about the Company and to make decisions of the Shareholder freely, objectively and without any external or other influence;

6.1.3. Shareholders shall refrain from active participation in the day-to-day operations of the Company provided by the Management Board to the extent necessary and possible for the efficient and balanced organisation of cooperation between the governing bodies. Shareholders shall respect the competence of the Council and the Management Board and shall not interfere in their powers to the extent possible.

6.2. Decision-making by shareholders

6.2.1. Shareholders make all significant decisions for the Company, which are specified by law. The Company promotes the effective involvement of shareholders in decision-making and the widest possible participation of shareholders in shareholders' meetings.

6.2.2. The Management Board shall convene a Shareholders' Meeting if requested by the Council or the Shareholders. The regular Shareholders' Meeting shall be convened by the Management Board, ensuring the possibility to approve the annual report within the time-limit provided under the law. In turn, the Extraordinary Meeting of Shareholders shall be convened by the Management Board, at its own initiative or if requested by the Council or the Shareholders, in accordance with the procedures specified in the Commercial Law.

6.2.3. Decisions adopted by the Shareholders' Meetings shall take effect immediately, unless the Shareholders specify any other time for the decision to enter into force. The execution of the decisions taken by the shareholders shall be transferred to the Management Board, and the execution of the decisions shall be controlled by the Council.

6.3. Information for shareholders and involvement policy

6.3.1. The Council and the Management Board appreciate the open dialogue and exchange of ideas with the Shareholders. The Council and the Management Board welcome interaction with the Shareholders and consider it important to communicate directly and constructively with each other.

6.3.2. The Management Board timely provides the Shareholders with information on the course of the Shareholders' Meeting, providing all the necessary information for decision-making.

7. The Council

7.1. The Council pursues the interests of the Shareholders and supervises the activities of the Management Board.

7.2. Composition of the Management Board

7.2.1. In order for the decisions of the Council to be taken objectively and professionally, the Shareholders shall ensure that the Council has one or more independent members of the Council who meet all of the following criteria:

- A member of the Council has not been a member of the Management Board, controller, employee, procurator or commercial trustee, external auditor, or employee of the company performing the functions of an external auditor in the company where he/she holds the position of a member of the Council during the last three years;
- A member of the Council or its family members (spouse, children, parents) do not receive and have not received remuneration from the Company or a related company during the last three years;
- A member of the Council only earns income in the Company for the performance of the duties of a member of the Council;
- A member of the Council or its family members (spouse, children, parents) have not had any significant business relationship with the Company during the last three years;
- A member of the Council does not hold the position of a member of the Management Board or any other senior position in another company which has a significant business relationship with the company represented by the member of the Council.

7.2.2. Before the election of the Council, the Management Board shall assess the independence of the members of the Council in accordance with the available information.

7.3. Diversity of members of the Council, selection and appointment of candidates

7.3.1. The members of the Council shall be appointed by the Shareholders' Meeting for a term of five years.

7.3.2. The Management Board shall provide timely and sufficient information to the Shareholders on the members of the Council who are being nominated for appointment.

7.3.3. Persons whose work experience, education, qualification and reputation ensure the professional performance of the duties of a member of the Council in the best interests of the Company shall be elected as members of the Council. In the process of selecting and appointing the members of the Council, the Shareholders seek to ensure the diversity of the gender and experience of the candidates for the members of the Council in order to facilitate comprehensive discussions and carefully assess decision-making.

7.4. Rights and Obligations of the Council

7.4.1. The rights and obligations of the Council are determined in the Commercial Law and other legal acts of the Republic of Latvia, as well as norms of international law, the Regulations of the Council and other internal regulatory enactments of the Company.

7.4.2. The Council has the following competence in addition to the provisions of the law:

- to approve the annual budget and monitor its implementation;
- to monitor the operation of internal control and risk management systems, review their adequacy and effectiveness;

- to approve the Rules of the Management Board and the Council and the policies of the Company;
 - to review the sustainable development strategy of the Company;
 - to approve transactions in accordance with the provisions of the Articles of Association of the Company.
- 7.4.3. If necessary for the preparation of a high-quality decision of the Council, the Council may establish committees for the enhanced assessment of certain issues.
- 7.5. Remuneration shall be paid to the member of the Council, the amount of which is determined under the decision of the Shareholder's Meeting and in accordance with the remuneration policy of the Management Board and the Council. Premiums shall not be granted to the members of the Council.

8. The Management Board

- 8.1. The Management Board shall manage the daily business of the Company and represent the Company. The procedure for the organisational activities of the Management Board, the legal basis, the competence, functions and responsibilities of the members of the Management Board in exercising the rights delegated to it and performing the tasks referred to in the Articles of Association and other regulatory enactments shall be determined by the Regulation of the Board.
- 8.2. The Management Board shall consist of three members of the Management Board, including the Chairman of the Management Board.
- 8.3. Diversity of members of the Management Board, selection and appointment of candidates:
- 8.3.1. Candidates for the members of the Management Board shall be nominated on the basis of professionalism and competence criteria. The members of the Management Board and the Chairman of the Management Board shall be elected by the Council for a term of five years. Persons whose work experience, education, qualification and reputation ensure the professional performance of the duties of a member of the Management Board in the best interests of the Company shall be elected as members of the Management Board.
- 8.3.2. In the process of selecting and appointing the members of the Management Board, the Council seeks to ensure the diversity of the gender and experience of the candidates for the members of the Management Board in order to facilitate comprehensive discussions and carefully assess decision-making.
- 8.4. The powers, rights and obligations of the members of the Management Board are defined in the Regulation of the Management Board.
- 8.5. The remuneration of the Management Board is determined in accordance with the Remuneration Regulation of the Management Board and the Council.

9. The Most Important Principles of Operation

- 9.1. The most important principles of the operations of the Company are described below, which are also regulated in more detail by certain internal regulatory enactments of the Company - policies, regulations and codes.

- 9.2. The internal regulatory enactments of the Company are established in a system and hierarchy that ensures their correct approval and application (Annex No. 1).
- 9.3. The Annex to the Code contains a list of the main internal regulatory enactments of the Company (Annex No. 2). The Regulations, Codes and Policies are approved by the Council, except for the Dividend and Remuneration Policies of the Management Board and the Council, which are approved by the Shareholders' Meeting.

9.4. The Management Board ensures the implementation and enforcement of policies, as well as updates them as necessary in accordance with the regularity specified in each specific policy, but at least once every three years.

9.5. **Code of Ethics**

In order to promote the internal culture of the Company and the ethical and responsible behaviour of the members and employees of the management bodies of the Company in the performance of any activities, the Company has developed a Code of Ethics. The Code of Ethics incorporates the principles and guidelines arising from the Company's values, mission and vision for employees in their daily activities in communication with colleagues, customers, partners and competitors.

9.6. **Sustainable Development**

The purpose of the Company is to organise its activities as sustainably as possible, promoting the integrated and balanced long-term development of the economy, public welfare and the environment, which meets current economic needs, but also respects social needs and environmental protection.

To achieve these purposes, the Company develops and regularly updates the Sustainability Report (ESG: *Environmental, Social and Governance*).

9.7. **System for the Prevention of Bribery, Corruption and Conflict of Interest**

In order to prevent bribery and corruption risks in the Company and related reputational risks, the Company has established an internal anti-corruption and conflict of interest control system and introduced an Anti-Corruption and Conflict of Interest Prevention Policy, the requirements of which are mandatory for all employees of the Company.

9.8. **Risk Management**

The Company has implemented a risk management system based on the Risk Management Policy, which sets out general and uniform requirements to be implemented in order to administer the risk groups identified by the Company on a daily basis. A systematic and regular approach to risk management helps to protect the employees, property and reputation of the Company, as well as promotes the efficiency of the operations of the Company and the achievement of strategic goals.

9.9. **Compliance with Competition**

The Company has introduced a Competition Policy, which summarises the most important principles and regulations that must be followed by every employee of the Company in order to promote the achievement of said goal and prevent the possible risk of competition violation.

9.10. **Procurement System**

The Company purchases goods and services in accordance with the requirements of the law. Procurement processes in the Company are performed taking into account the effective and legal use

of funds, the advantage of sustainable development and proactive monitoring of the contract life cycle.

9.11. **Credit Risk Assessment of Counterparties and Transactions**

In order to mitigate its credit risks, the Company approves the Crediting Policy, which sets out detailed procedures for the Company to assess the creditworthiness of an existing or potential partner.

9.12. **Anti-Money Laundering and Counter Terrorist Financing**

The Company has implemented an Internal Control System for the Prevention of Money Laundering and Terrorist Financing (hereinafter - PMLTF), which provides the principles for the identification, investigation and assessment of transactions and counterparties to preventively identify signs of unusual or suspicious transactions, and established the procedures for actions in the case of detecting such signs.

9.13. **Sanctions Risk Management**

The Company as a subject of the Law on International Sanctions and National Sanctions of the Republic of Latvia has performed the risk assessment of sanctions related to its commercial activities and has developed internal mechanisms for management of the risk.

9.14. **Dividend Policy**

The Company has established a transparent and comprehensible decision-making mechanism regarding the payment, amount, procedure and timing of dividends - the dividend policy. The dividend policy ensures a balance between the regular distribution of funds to Shareholders and the corporate sustainability goals of the Company.

9.15. **Remuneration Policies**

9.15.1. The Company determines the remuneration of each Employee in accordance with the professional performance, comparing the amount of remuneration with the existing economic situation, market practice and the amount of remuneration in the industry.

9.15.2. In order to avoid excessive financial risks and ensure predictability, the Company has implemented an Employee Remuneration Policy, which defines the Employee Remuneration and Bonus System and the criteria for determining remuneration.

9.15.3. The remuneration of the Management Board and the Council is determined in accordance with the Remuneration Regulation of the Management Board and the Council.

9.16. **Transparency, Information and Communication**

9.16.1. The Company informs the Shareholders and other interested parties regularly and in a timely manner about the business activities, financial results, management and other topical issues of the Company.

9.16.2. The Company complies with strict standards of transparency, publication of information and communication. Transparency of the operations and financial indicators of the Company is an essential element that ensures the responsibility of the governing bodies of the Company, giving a possibility to respond to possible inconsistencies in commercial activities and the quality of services provided.

9.16.3. The Company shall ensure the disclosure of the information specified in regulatory enactments, as well as the timely, complete, accurate, objective disclosure of other information promoting transparency to the Company and the Shareholders:

9.16.4. **Financial Information**

The Company publishes semi-annual operational reports and annual reports approved by the Shareholders' Meeting.

9.16.5. **Non-Financial Information**

The Company publishes information on the most important aspects of its operation and significant decisions made within the Company.

9.16.6. **Internal Communication**

9.16.7. The Company takes care to ensure effective internal communication in order to promote employee trust and understanding of the goals, vision and values of the Company. The Company takes care to ensure that the trade secret, personal data or confidential information of other persons is not disclosed as part of the disclosure of information.

9.17. **Whistleblowing System**

Persons who have noticed illegal activities in the Company may raise an alarm using the internal whistleblowing mechanism established in the Company. The internal whistleblowing mechanism helps to reduce reputational, security, and other risks associated with illegal activities established within the Company.

9.18. **Personal Data Protection**

The Company has implemented a personal data protection system in accordance with the General Data Protection Regulation. This system consists of personal data processing policies, internal procedures and arrangements, the implementation and updating of which is ensured by the person being in charge of personal data protection.

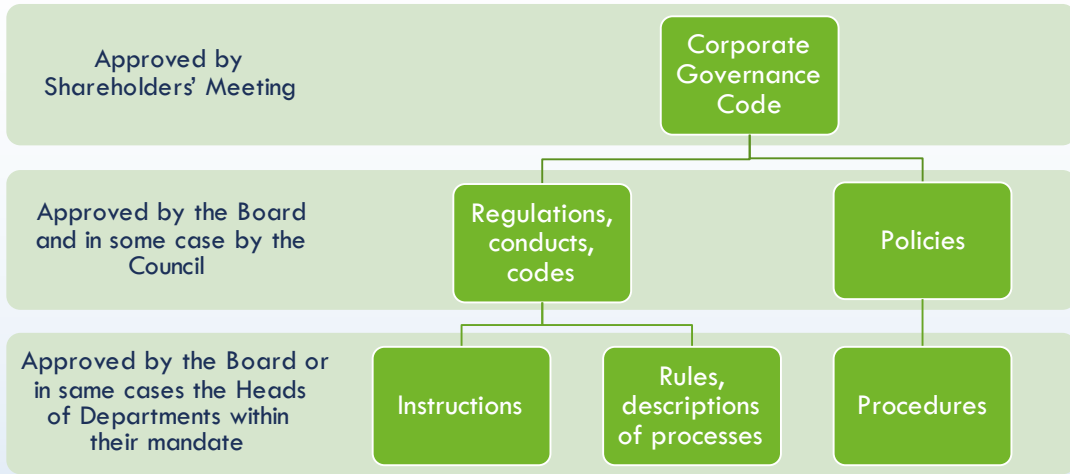
10. Approval and updating

10.1. The Code is approved by the Shareholders' Meeting of the Company.

10.2. Corporate governance is an ongoing process during which existing achievements are assessed and further compliance with good practice in the Company is promoted. In order for this Code to reflect the actual situation of the Company as precisely as possible, the Management Board shall review it at least once every three years and submit an updated version of the Code to the Council for alignment and to the Shareholders' Meeting for approval.

*Chair of the Shareholders' Meeting of
28 July 2021
Jānis Riekstiņš*

SYSTEM OF INTERNAL REGULATORY DOCUMENTS



Main internal regulatory enactments

INA level	Document	Approved
Corporate Governance Principles	Corporate Governance Code	Meeting of Shareholders
Policies	Dividend Policy	Meeting of Shareholders
	Remuneration Policy of the Management Board and the Council	Meeting of Shareholders
	Employee Remuneration Policy	The Council
	Competition Law Compliance Policy	The Council
	Policy on Prevention of Corruption and Conflict of Interest	The Council
	Crediting Policy	The Council
	Privacy Policy and Related Documents	Council/Management Board
Regulations, Procedures and Systems	Regulation of the Council	The Council
	Regulation of the Management Board	The Council
	Risk Management, Internal Control Environment and Compliance Procedures	The Council
	Procedure for Issuing a Power of Attorney	The Management Board
	Procurement Organisation Procedure	The Management Board
	MLTPF Risk Management Internal Control System	The Management Board
	Procedures for the Internal Whistleblowing System and the Protection of Whistleblowers	The Management Board
	Sanctions Risk Management Internal Control System	The Management Board
	Procedure for Disclosure of Internal Information	The Management Board
Codes	Code of Ethics	The Council
Other	Sustainability Report	The Council