

**JOINT STOCK COMPANY  
„GROBINA”**

**2010**

**CORPORATE GOVERNANCE PRINCIPLES**

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## I SHAREHOLDERS' MEETING

Shareholders exercise their right to participate in the management of the Issuer at shareholders' meetings. In compliance with legal acts the Issuers shall call the annual shareholders' meeting as minimum once a year. Extraordinary shareholders' meetings shall be called as required.

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

**The Issuers shall ensure equal attitude towards all the shareholders – holders of one category of shares. 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 the holders of shares of one category have also equal rights, including the right to receive a share of the Issuer's profit as dividends or in another way in proportion to the number of the shares owned by them, if such right is stipulated for the shares owned by them.

**Principle is used in JSC "Grobina".**

- 1.2. The Issuer shall prepare a policy for the profit distribution. 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 possibly larger a number of shareholders have the possibility to acquaint themselves with it and to express their opinion on it. In the Report the Issuer shall specify where information on Emitter's profit is available. (on the policy of profit distribution of the Issuer shall be included in the Report).

**The Principle in JSC "Grobina" operation is used in part, in light of the JSC „Grobina" operation it is not possible to draw up a specific profit-sharing policy, as a result of the JSC „Grobina" shareholders of the profit each year has to decide separately on the basis of joint stock companies "Grobina" financial performance, the need for competitiveness and other factors.**

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

**Principle is used in JSC "Grobina".**

- 1.4. Shareholders of the Issuers shall be provided with the possibility to receive in due time and regularly all the required information on the relevant Issuer, participate at meetings and vote on agenda issues. The Issuers shall carry out all the possible activities to achieve that as many as possible shareholders participate at meetings; therefore, the time and place of a meeting should not restrict the attendance of a meeting by shareholders. Therefore, it should not be admissible to change the time and place of an announced shareholders' meeting shortly before the meeting, which thus would hinder or even make it impossible for shareholders to attend the meeting.

**Principle is used in JSC "Grobina".**

- 1.5. The Issuers shall inform their shareholders on calling a shareholders' meeting by publishing a notice in compliance with the procedure and the time limits set forth in legislative acts. The Issuers

are 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 be published also on the Issuer's website on the Internet, where it should be published also at least in 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, also the initiator of calling the meeting shall be specified.

**Principle is used in JSC "Grobina". The information mentioned above is available in Latvian and English.**

- 1.6. The Issuer shall ensure that comprehensive 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 in due time to the shareholders. The Issuers shall also inform the shareholders whom they can address to receive answers to any questions on the shareholders' meeting and the agenda issues and ensure that the required additional information is provided to the shareholders.

**Principle is used in JSC "Grobina".**

- 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 that have been submitted additionally already after the announcement on calling the meeting. The Issuer shall ensure the possibility to read a complete text of draft decisions, especially if they apply to voting on amendments to the Issuer's statutes, election of the Issuer's officials, determination of their remuneration, division of the Issuer's profit and other issues.

**Principle is used in JSC "Grobina".**

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

**Principle is used in JSC "Grobina".**

- 1.9. Especially, attention should be paid that the shareholders at least 14 (fourteen) days prior to the shareholders' meeting have the possibility to acquaint themselves with information on Supervisory Board member candidates whose approval is planned at the meeting. When disclosing information on Supervisory Board member candidates, also a short personal biography of the candidates shall be published.

**Principle is used in JSC "Grobina".**

- 1.10. The Issuer may not restrict the right of shareholders to consult among themselves during a shareholders' meeting if it is required in order to adopt a decision or to make clear some issue.

**Principle is used in JSC "Grobina".**

- 1.11. To provide shareholders with comprehensive 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 is provided (e.g., registration of meeting 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.

**The principle is applied in the JSC “Grobina operation partly as until the present time the shareholders’ meetings have taken place applying the legal norms provisions in respect of the course of the meeting.**

- 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, excluding the possibility that one shareholder uses up the total time provided for asking of questions and setting a time limit of speeches.

**Principle is used in JSC “Grobina”.**

- 1.13. Since, if a long break in a meeting is announced, the right of shareholders to dispose of freely with their shares is hindered for an undetermined time period, it shall not be recommended to announce a break during a shareholders' meeting. The conditions upon which it is possible to announce a break shall be stipulated also in the regulations on the course of meeting. A break of meeting may be a lunch break, a short break (up to 30 minutes) etc.

**Principle is used in JSC “Grobina”. Until the present time circumstances have not occurred, which call for a prolonged break for an unforeseen period.**

- 1.14. When recording the course and contents of discussions on the agenda issues to be dealt with at the shareholders' meeting in the minutes, 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 proposals or questions are appended thereto in written form.

**Principle is used in JSC “Grobina”.**

## **2. Participation of members and member candidates of the Issuer’s management institutions at shareholders' meetings**

**Shareholders' meetings shall be attended by the Issuer’s Management Board members, auditors, and as many Supervisory Board members as possible.**

- 2.1. The attendance of members of the Issuer’s management institutions and auditor at shareholders' meetings shall be necessary to ensure information exchange between the Issuer’s shareholders and members of management institutions as well as to fulfil 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 not discussing the finances of the Issuer. By using the right to ask questions shareholders have the possibility to obtain detailed information on the circumstances that might affect the evaluation of the financial report and the financial situation of the Issuer.

**Principle is used in JSC “Grobina”.**

- 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 Supervisory Board members. If a Supervisory Board member candidate or auditor candidate is unable to attend the shareholders' meeting due to an important reason, then 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.

**Principle is used in JSC “Grobina”.**

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

**Principle is used in JSC “Grobina”.**

## **II MANAGEMENT BOARD**

The Management Board is the Issuer's executive institution, which manages and represents the Issuer in its everyday business, therefore the Issuer shall ensure that it is efficient, able to take decisions, and profit-oriented, therefore its obligations and responsibilities have to be clearly determined.

### **3. Obligations and responsibilities of the Management Board**

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

- 3.1. The Management 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 Management Board shall be responsible for the said to the Supervisory Board and the shareholders' meeting. In fulfilment of its obligations, the Management Board shall adopt decisions guided by interests of all the shareholders and avoiding the conflict of interests.

**Principle is used in JSC “Grobina”.**

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

**Principle is used in JSC "Grobina, the Board works according to Management Board Regulations, approved at the Council meeting at 28th of October, 2010.**

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

**Principle is used in JSC “Grobina”.**

- 3.3. The Management Board shall perform certain tasks, including:

- 1) corporate strategies, work plan, risk management procedure, assessment and advancement of annual budget and business plans, ensuring control over the fulfilment of plans and the achievement of planned results;

**Principle is used in JSC “Grobina”.**

- 2) selection of senior managers of the Issuer, determination of their remuneration and control of their work and their replacement, if necessary, complying with the effective procedures (e.g., personnel policy adopted by the Issuer, remuneration policy etc.);

**Principle is used in JSC “Grobina”.**

- 3) timely and qualitative submission of reports, ensuring also that the internal audits are carried out and the disclosure of information is controlled.

**Principle is used in JSC “Grobina”.**

- 3.4. In annual reports, the Management 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.

**Principle is used in JSC “Grobina”.**

- 3.5. It shall be preferable that the Management Board submits decisions that determine the objectives and strategies for achievement thereof (participation in other companies, acquisition or alienation of property, opening of representation offices or branches, expansion of business etc) to the Issuer’s Supervisory Board for approval.

**Principle is used in JSC “Grobina”.**

#### **4. Management Board composition and requirements for Management Board members**

**A Management Board composition approved by the Issuer shall be able to ensure sufficiently critical and independent attitude in assessing and taking decisions.**

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

**Principle is used in JSC “Grobina”.**

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

**Principle is used in JSC “Grobina”.**

- 4.3. In order to fulfil their obligations successfully, Management Board members must have access in due time to accurate information on the activity of the Issuer. The Management Board must have the possibility to provide objective evaluation on the activity of the Issuer. Management Board members must have enough time for the performance of their duties.

**Principle is used in JSC “Grobina”.**

- 4.4. It is not recommended to elect one and the same Management Board member for more than four successive terms. The Issuer has to evaluate whether its development will be facilitated in the 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 changing the field of work of the relevant Management Board member at the Issuer.

**Principle is used in JSC “Grobina”.**

#### **5. Identification of the conflict of interests in the work of Board Members**

**Each Management Board member shall avoid any conflict of interests in his work and have maximum independence from any external circumstances, willing to assume responsibility for the decisions taken and adhere to the ethics principles when taking any decisions related to the Issuer’s activity.**

- 5.1. It is the duty of each Management Board member to avoid arising conflict of interests in his work, even apparent. Upon taking decisions the Board Member shall be guided by the Issuer’s interests, and not use the cooperation offers proposed to the Issuer for personal benefit.

**Principle is used in JSC "Grobina".**

- 5.2. A Board member shall inform other Board members about occurrence of a conflict of interests or a possibility thereof immediately. A Board Member shall report on any transaction of contract which the issuer is going to conclude with a person, who has close relationship with the Board Member, as well as inform regarding occurrence of any conflicts of interest during the term of the contracts.

Persons related to the Board Member for the purposes of the present recommendations are: Board member's spouse, relative or brother/sister in-law, including kinship of the second degree and brother-in-law relations to the first degree, or persons, with whom the Board member has a common household at least for one year. Related parties of the Board member for the purposes of the present recommendations are legal entities, where the Board Member has the position of a Board or a Council Member or an Auditor, or has any other leading position, whereby he is in the position to determine of influence the operational strategy of that legal entity.

**Principle is used in JSC "Grobina".**

- 5.3. Management Board member should not participate in taking decisions, which might cause a conflict of interests.

**Principle is used in JSC "Grobina".**

### **III SUPERVISORY BOARD**

In compliance with legal acts a Supervisory Board is the institution that supervises the Issuer and represents interests of shareholders between meetings and, in cases stipulated in the law and in the statutes of the Issuer, supervises the work of the Management Board.

#### **6. Obligations and responsibilities of the Supervisory Board**

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

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

**Principle is used in JSC "Grobina" operation. The Council works according to Council regulation, approved at the council meeting at 28<sup>th</sup> of October, 2010.**

- 6.2. The supervision carried out by the Supervisory Board over the work of the Management 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, Management Board's proposals on the use of the profit of the Issuer, and the business performance of the Issuer in compliance with the requirements of regulatory acts. The Supervisory Board should discuss every of the said matters and express its opinion at least annually, complying with frequency of calling Supervisory Board meetings as laid down in regulatory inactments, and the results of discussions shall be reflected in the Supervisory Board's minutes of meeting.

**Principle is used in JSC "Grobina".**



- 6.3. The Supervisory Board and every its member shall be responsible that they have all the information required for them to fulfil their duties, obtaining it from Management Board members and internal auditors or, if necessary, from employees of the Issuer or external consultants. To ensure information exchange, the Supervisory Board chairperson shall contact the Issuer's Management Board, inter alia the Management 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.

**Principle is used in JSC "Grobina".**

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

**Principle is used in JSC "Grobina".**

## **7. Supervisory Board composition and requirements for Supervisory Board members**

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

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

**Principle is used in JSC "Grobina".**

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

**Principle is used in JSC "Grobina".**

- 7.3. In establishing the Issuer's Supervisory Board, the qualification of Supervisory Board members should be taken into account and assessed on a periodical basis. The Supervisory Board should be composed of members whose knowledge, opinions and experience is varied, which is required for the Supervisory Board to fulfil their tasks successfully.

**Principle is used in JSC "Grobina".**

- 7.4. Every Supervisory Board member in his or her work shall have maximum independence from any external circumstances and be willing 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.

**Principle is used in JSC "Grobina".**

- 7.5. It is impossible to compile a list of all the circumstances that might threaten the independence of Supervisory Board members or that could be used in assessing the conformity of a certain person to the status of an independent Supervisory Board member. Therefore, the Issuer, when assessing the

independence of Supervisory Board members, shall be guided by the independence criteria of Supervisory Board members specified in the Annex hereto.

**Principle is used in JSC “Grobina”.**

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

**Principle is used in JSC "Grobina" operation. 50% of the company's board members are independent under the independence criteria.**

- 7.7. As independent shall be considered persons that conform to the independence criteria specified in the Annex hereto. If a Supervisory Board member does not conform to any of the independence criteria specified in the Annex hereto but the Issuer does consider the Supervisory Board member in question to be independent, then it shall provide an explanation of its opinion in detail on the tolerances permitted.

**Principle is used in JSC "Grobina" operation. 50% of the company's board members are independent under the independence criteria.**

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

**Principle is used in JSC "Grobina" operation. Already when the council member candidates are nominated for election to the Council it is evaluated that person's compliance with the independence criteria.**

## **8. Identification of the conflict of interests in the work of Board Members**

**Every Supervisory Board member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances. Supervisory Board 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 Supervisory Board member to avoid any, even only supposed, interest conflicts in his/her work. When taking decisions, Management 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.

**Principle is used in JSC “Grobina”.**

- 8.2. On the occurrence of any interest conflict or even only on its possibility, a Supervisory Board member shall notify other Supervisory Board members without delay. Supervisory Board members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the Supervisory Board member in question, as well as inform on 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 Supervisory Board member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the Supervisory 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 Supervisory

Board member: legal persons where the Supervisory Board member or a closely related to him/her person is a Management Board or Supervisory Board 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.

**Principle is used in JSC "Grobina" operation. It should be noted that, until now there have been no conflicts of interest.**

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

**Principle is used in JSC "Grobina"**

#### **IV DISCLOSURE OF INFORMATION**

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 determination of the price of financial instruments in public circulation as well as the trust in finance and capital markets. Disclosure of information is closely connected with investor relations (hereinafter – the IR), which can be defined as the process of developing 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 Issuers shall be provided in due time and allowing the shareholders to assess the management of the Issuer, to get an idea on the business of the company and its financial results, as well as to take grounded decisions in relation to 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 the substantial matters that concern the Issuer, including its financial situation, business results, and the structure of owners.

**Principle is used in JSC "Grobina".**

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

**Principle is used in JSC "Grobina".**

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

**Principle is used in JSC "Grobina".**

9.4. The Issuers should ensure timely and compliant with the existing requirements preparation and disclosure of financial reports and annual reports of the Issuer. The procedure for the preparation of reports should be stipulated in the internal procedures of the Issuer.

**JSC "Grobina" prepares and discloses the financial reports in accordance with the legislation of the Latvian Republic and the requirements Latvian and International Accounting Standards.**

## **10. Investor relations**

**Considering that shares of the Issuers are offered on a regulated market, also such activity sphere of the Issuers as investor relations (hereinafter – the IR) and the development and maintaining thereof is equally important, paying special attention to that all the investors have access to equal, timely and sufficient information.**

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 finance market, as well as the provision of a feedback, i.e. receiving references from the existing and potential investors and other persons. In the realisation of the IR process, it shall be born in mind that the target group consists not only of institutional investors and finance market analysts. A greater emphasis should be put on individual investors, and more importance should be attached to informing other interested parties: employees, creditors and business partners.

**Principle is used in JSC “Grobina”.**

10.2. The Issuer shall provide all investors with equal and easy access to the information in relation with the Issuer, including the information about the financial position, property structure and management. The Issuer shall provide the information in a clear and understandable form, disclosing both the positive and the negative information in respect of the Issuer, thus providing the investors with complete and detailed information on the Issuer allowing the investor to evaluate all the information before decision taking.

**Principle is used in JSC “Grobina”.**

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 finance 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.

**Principle is used in JSC “Grobina”.**

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

- 1) The IR section of website shall be perceived not only as a store of information or facts but also as one of the primary means of communication by means of which it is possible to inform the existing and potential shareholders;
- 2) All the visitors of the IR section of website shall have the possibility to obtain conveniently all the information published there. Information on websites 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;
- 4) It shall be 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.;
- 5) the information published on websites 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 that outdated information that could mislead investors is found on websites;
- 6) 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.

**Principle is used in JSC “Grobiņa”. The information is published in Latvian and English.**

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

- 1) general information on the Issuer - history of its establishment and business, registration data, description of industry, main types of business;
- 2) Issuer's Report (*“comply or explain”*) on the implementation of the principles of corporate governance;
- 3) Number of issued and paid financial instruments, specifying how many of them are included in a regulated market;
- 4) information on shareholders' meetings, draft decisions to be examined, decisions adopted – at least for the last year of report;
- 5) Issuer's statutes;
- 7) Issuer's Management Board or Supervisory Board regulation or a document equated thereto that regulates its work, as well as the Issuer's remuneration policy and the shareholders' meeting procedure regulation, if such has been adopted;
- 8) Description of the tasks of Supervisory Board committees, if such have been established, as well as information on the work performed by the committees;
- 9) information on present Issuer's Supervisory Board and Management Board members (on 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 of Management Board and Supervisory Board members;
- 10) Issuer's shareholders which/who own at least 5% of the Issuer's shares; and information on changes of shareholders;
- 11) Financial reports and annual reports of the Issuer prepared in compliance with the procedure specified in legal acts and the Stock Exchange regulations;
- 12) Any other information to be disclosed by the Issuer, e.g. information on any substantial events, Issuer's press releases, archived information on Issuer's financial and annual reports on previous periods etc.

**Principle is used in JSC “Grobiņa”, company ensures that the information mentioned above is available and regularly updated.**

## **V INTERNAL CONTROL AND RISK MANAGEMENT**

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

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

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

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

**Principle is used in JSC “Grobina”.**

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

**Principle is used in JSC “Grobina”.**

11.3 Auditors shall be granted access to the information required for the fulfilment of the auditor’s tasks and the possibility to attend Supervisory Board and Management Board meetings at which financial and other matters are dealt with.

**Principle is used in JSC “Grobina”.**

11.4 Auditors shall be independent in their work and their 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.

**Principle is used in JSC “Grobina”.**

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

**Principle is used in JSC “Grobina”.**

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 Management Board.

**Principle is used in JSC “Grobina”.**

## **12. Issuer’s Audit Committee**

**Audit Committee is formed by decision of the Issuer’s shareholders meeting in accordance with the provisions of legal norms and stipulating its work principles and scope of responsibility.**

12.1. Functions and responsibility of the Audit Committee should be laid down in the committee regulation or equal document.

**Principle is not used in JSC "Grobina" operation. The company Audit Committee so far has acted in accordance with the duties and rights stipulated in the legal norms.**

12.2. In order to provide for effective work of the Audit Committee it is recommended that it shall be composed of at least three members having adequate knowledge of accounting and preparation of financial reports as one of the main spheres of the Audit Committee’s activity is issues related to the Issuer’s financial reports and control.

**Principle is used in JSC "Grobina" operation.**

12.3. All the members of the Audit Committee should have access to the information regarding the accounting principles used by the Issuer. The Management Board shall inform the Audit Committee about the methods used upon evaluating important and extraordinary transactions, where different methods may be applied as well as ensure that the Audit Committee have all the information provided for by the legislative norms.

**Principle is used in JSC "Grobina" operation.**

12.4. The Issuer shall ensure that the Audit Committee may receive the information necessary for its work from the Issuer's officials, Board Members and other employees, as well as have the right to carry out independent investigation in order to reveal violations in Issuer's activity within the Committee's competency.

**Principle is used in JSC "Grobina" operation.**

12.5. The Audit Committee shall take decisions within its competency and report on its work to the shareholders meeting.

**Principle is used in JSC "Grobina" operation.**

## **VI REMUNERATION POLICY**

### **13. General principles, way and criteria of determining remuneration**

**The policy of the remuneration of Management Board and Supervisory Board members – type, structure and amount of remuneration - is one of the spheres where persons involved has a potentially greater risk to find themselves in an interest conflict situation. To avoid it, the Issuer should determine a clear remuneration policy, whereby general principles, ways and criteria of the remuneration of Management Board and Supervisory Board are set out**

13.1 The Issuers are called on to develop a remuneration policy in which the main principles for the determination of remuneration, possible remuneration schemes and other essential related issues are determined. The preparation of the remuneration policy should be made a responsibility of the Issuer's Supervisory Board, which during the preparation of a draft policy must consult with the Issuer's Management Board.

**The principle is used in JSC "Grobina". The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

13.2 When in the remuneration policy upon determining the remuneration structure also the variable part of the remuneration is envisaged, where the Issuer's shares or options are envisaged, it should usually be pegged to the previously determined short- and long-term objectives. Pegging the variable part of the remuneration to the short-term results only is not going to stimulate interest in the long-term growth of the company and improvement of the results. The amount and structure of the remuneration shall depend on the operational results, share price and other Issuer related events.

**The principle is used in JSC "Grobina". The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

13.3 Remuneration schemes that include Issuer's shares or share options as remuneration may theoretically cause loss to the Issuer's shareholders as the share price may drop because of issue of new shares. Therefore prior to elaboration and approval of such a scheme of remuneration it is necessary to evaluate the possible benefits or losses.

**The principle is used in JSC "Grobina". The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

13.4. When preparing the remuneration policy, the Issuer shall be obliged to disclose information on how the Issuer plans to ensure the amount of shares to be granted in compliance with the approved

remuneration schemes –whether it is planned to obtain the shares buying them on a regulated market or it is planned to issue new shares.

**The principle is used in JSC “Grobina”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

- 13.5. If the remuneration policy provides for the variable part where the Issuer’s shares or options are envisaged it shall be pointed out in what way within the approved remuneration schemes it is planned to ensure the necessary amount of the Issuer’s shares - –whether it is planned to obtain the shares buying them on a regulated market or it is planned to issue new shares.

**The principle is used in JSC “Grobina”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

- 13.6. Upon elaborating the remuneration policy and envisaging granting of options, which give rights to acquire the Issuer’s shares, the Stock Exchange provisions on granting options shall be observed.

**The principle is used in JSC “Grobina”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

- 13.7. Upon determining the principles according which remuneration is to be awarded to the Supervisory Board and management Board members also the general principles shall be provided according to which any compensation or other reimbursement shall be paid if any is planned in cases when the contracts with the above mentioned officials are terminated.

**The principle is used in JSC “Grobina”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

#### **14. Statement on remuneration policy**

**The shareholders shall be provided a clear and detailed summary of the remuneration policy applied in respect of the members of Issuer’s Management institutions. The public access to the information would allow the present and potential shareholders evaluate the Issuer’s approach to the remuneration issues, therefore the Issuer’s responsible institution prepares and makes available publicly the Remuneration Report.**

- 14.1. The Issuer has an obligation to make publicly available a detailed report on the remuneration policy regarding the members of the Issuer’s management institutions. The remuneration Report may be prepared as a separate document or included as a separate section in the Report prepared by the Issuer according the present Recommendations, Introduction, C1.9/. The prepared Remuneration Report shall be included in the Issuer’s webpage.

**The principle is used in JSC “Grobina”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget,**



**confirmed by shareholder meeting. The information, mentioned above is also available at JSC home page.**

14.2. The Remuneration Report shall include at least the following information:

- 1) information on application of the remuneration policy for Issuer's management Board and Supervisory Board members in the last financial year, especially noting the material alterations in the Issuer's remuneration policy as compared with the last reporting year;
- 2) the proportion of the variable and constant parts of the remuneration applied as paid for the relevant category of officials;
- 3) sufficient information on pegging the remuneration to the work results;
- 4) information of the Issuer's policy in respect to the provisions of contract, which is concluded with the members of the Issuer's management institutions (regarding the term of the contracts concluded, terms of prior notification regarding termination of the contract inclusive of the payments to made in case of the termination);
- 5) information about the scheme of the premiums and the main parameters and grounds of any other material bonuses granted;
- 6) a description of any applicable retirement or premature retirement schemes;
- 7) survey of the remuneration and other bonuses paid as remuneration to each person who filled the position of the Management Board or the Supervisory Board member including at least the information mentioned in Cl. 14.5 , 14.6 and 14.7 of the present section.

**The principle is used in JSC "Grobina". The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

14.3 To avoid repetition of information in the Remuneration report the Issuer may omit the information mentioned in Clause 14.2, paragraphs 1-7, provided it is already mentioned in the Issuer's Remuneration policy. In this case a reference to the remuneration policy shall be made in the Remuneration Report and reference where this remuneration policy is available.

**The principle is used in JSC "Grobina". The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

14.4 Provided the Issuer finds that making public the information mentioned in Cl.14.2 of the present recommendations some commercially sensitive information may be revealed, which might adversely influence the Issuer's strategic position, the Issuer shall not reveal this information mentioning the relevant reason.

**The principle is used in JSC "Grobina". The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

14.5. In respect to the remuneration and/or other income, the following information shall be given regarding each member of the management board or the Supervisory board:

- 1) total sum of remuneration (salary) for fulfilment of the duties paid or due in the reporting year;

2) remuneration and other benefits received from any other entity related to the Issuer. “Related entity” used in this paragraph corresponds to the explanation of a related company given in the Law On the Finance Instruments Market, Art.1;

3) the remuneration paid in the form of division of profit or premiums and grounds for such payments;

4) payment for work done in addition to one’s direct duties;

5) compensations and other payments due or received by a Management board or Supervisory board member who has left the position;

6) total sum of any material benefits, which is received as remuneration and to which the paragraphs 1-5 above are not applicable.

**The principle is used in JSC “Grobiņa”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

14.6 In respect of shares and/or options or other schemes of remuneration the following information shall be disclosed:

1) number of options granted, which give the right to acquire the Issuer’s shares in the reporting year, and the conditions and terms of use thereof;

2) number of options used which give the right to acquire the Issuer’s shares during the reporting year, stating the number of shares acquired for each of them and the set share price, or the value of the Management institution member’s share in the share related remuneration scheme at the end of the reporting year;

3) number of options giving the right to acquire the Issuer’s shares not used at the end of the reporting year, the share price fixed in the contract, date of execution and the main conditions of use of the said option;

4) the information about the changes in the reporting year in the terms and conditions of contracts on the granted options, which give the right to acquire Issuer’s shares, (e.g. changed made in the conditions of uses of options, term for use if the option has been changed etc.)

**The principle is used in JSC “Grobiņa”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

14.7 In respect of provisions or payments made in private pension plans the following information shall be revealed:

1) on the amount of payments made by the Emitter into retirement plan or plans on behalf of a person and on the terms of advance of the pension capital;

2) on the terms of participation, inclusive of termination of participation in the respective pension plan in respect of a particular person.

**The principle is used in JSC “Grobiņa”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

14.8 The remuneration schemes, according which the remuneration is determined when granting the Issuer’s shares, share options or in any other way granting rights to acquire the issuer’s shares shall

be approved by ordinary shareholders meeting. Deciding on approval of the remuneration scheme the shareholders meeting does not decide on application of the scheme to particular persons.

**The principle is used in JSC “Grobiņa”. The salary to the Council is approved by the shareholders meeting once in year. The salary to the Board is approved by Council according to the budget, confirmed by shareholder meeting.**

## **ANNEX**

### **INDEPENDENCE CRITERIA OF SUPERVISORY BOARD MEMBERS**

As independent shall be regarded a Supervisory Board member of the Issuer who:

- 1) has not been a Management Board or Supervisory Board 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 a Supervisory Board 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 the Issuer's, its associated company's or a shareholder's which controls the Issuer employee, except in cases when the Supervisory Board member candidate in question has been appointed for election to the Supervisory Board as a representative of the Issuer's employees;
- 3) in addition to the remuneration he or she receives as a Supervisory Board member, he or she 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 Supervisory Board member neither directly nor indirectly has been in substantial business relations with the Issuer, its associated company or a shareholder that controls the Issuer neither directly nor 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 Management Board member or another managing employee at a company at which the Issuer's Management Board member performs the functions of a Supervisory Board member and if he or she has not any other essential relations with the Issuer's Management Board members by participating in other companies or organisational units (mutually connected control relations);
- 8) has not been the Issuer's Supervisory Board 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 Management Board member or a person to whom the criteria specified in paragraphs (1) to (8) of this Annex apply.