



**Kurzemes CMAS, JSC**

Reg.No. LV 40003017085

Jaunpils, Tukums region, LV-3145

***APPROVED***

on meeting of the Board of  
joint-stock company Kurzemes  
ciltslietu un maksligas  
apseklošanas stacija  
of March 10, 2009  
Prot.No. **01/09** (2009)

***Report on observing corporative management principles for  
2008***

<b>PRINCIPLE</b>	<b>Comment of joint-stock company Kurzemes ciltslietu un maksliġas apsekošanas stacija (hereinafter – Company)</b>
<b><u>SHAREHOLDERS' MEETING</u></b> <i>Shareholders implement their right to participate in Emitter's management on shareholders' meeting. In accordance with provisions of legal acts, Emitter summons regular meeting at least once a year. Extraordinary shareholders' meetings are summoned on the basis of necessity.</i>	
<b><u>1. Guarantee of shareholders' rights and participation in shareholders' meetings</u></b> <i>Emitter guarantees equal attitude towards all shareholders – owners of shares of one category. All shareholders must have equal opportunities of cooperating in Emitter's management – participation in shareholders' meetings and reception of information, which is necessary for shareholders, in order to make decisions.</i>	
1.1. It is important to guarantee that all owners of shares of one category have also equal rights, including to receive part of Emitter's profit in dividends or any other form in proportion to amount of owned shares, if owned shares provide for such rights.	<i>Company guarantees observation of this principle. All 438,000 shares give their owners equal rights to dividends, as well as rights to vote on meeting of Company's shareholders.</i>
1.2. Emitter prepares policy of profit division. In course of preparing policy, it is important to take into account not only provision of immediate benefit to Emitter's shareholders, by paying dividends to them, but also expedience of profit reinvesting, thus increasing Emitter's value in future. It is desirable to discuss profit division policy on shareholders' meeting, thus guaranteeing that as large number of shareholders as possible gets acquainted with it and giving shareholders opportunity to express their opinion. Information on Emitter's profit division policy has to be included in Report, as well as placed on Emitter's web-page.	<i>Company guarantees observation of this principle. Profit division project is prepared by Company's Board (hereinafter – Board), examined by Company's Council (hereinafter – Council) and approved by shareholders. Board, preparing profit division project, takes into account investment long-term program and Company's financial position.</i>
1.3. In order to protect interests of Emitter's shareholders sufficiently effectively, not only Emitter, but also any other person, who summons, announces and organizes shareholders' meeting in accordance with procedure, defined in legal acts, is welcomed to observe all issues, mentioned in these Recommendations, regarding summoning shareholders' meetings and providing shareholders with necessary information.	<i>Company guarantees observation of this principle.</i>
1.4. Emitter's shareholders are provided with possibility to receive all necessary information on Emitter timely and regularly, to participate in meetings and to vote for agenda matters.	<i>Company guarantees observation of this principle. Place and time of shareholders' meeting are announced not later than within 30 days before</i>

<p>Emitent must perform all necessary actions, so that as large number of shareholders as possible participates in meeting, therefore place and time of meeting should not restrict presence of shareholders on meeting. Just the same change of place and time of process of meeting should not be acceptable shortly before meeting, which would bother or even make impossible for shareholders to arrive to meeting.</p>	<p><i>planned shareholders' meeting/ Place and time do not restrict arriving of shareholders to meeting.</i></p>
<p>1.5. Emitent informs shareholders on summoning shareholders' meeting, announcing it in accordance with the procedure and terms, defined in legal acts. Emitents are welcomed to announce shareholders' meeting immediately after decision on meeting summoning is made, especially this condition is applicable to extraordinary shareholders' meetings. Information on meeting summoning is placed also on Emitent's web-page, where it must be provided in at least one foreign language. It is recommended that this language is English, so that web-page can be used by foreign investors also. Publishing information on summoning shareholders' meeting, meeting summoning initiator can be appointed.</p>	<p><i>Company guarantees observation of this principle. Company announces shareholders' meetings in accordance with the procedure, defined in legal acts.</i></p>
<p>1.6. Emitent guarantees that shareholders, before the meeting, are timely provided with comprehensive information, related to course of meeting, place of meeting and voting for decisions to be made, as well as information on working procedure and decision projects, which are planned to vote for on meeting. Emitent also informs shareholders where they can address, in order to receive answers to any questions on shareholders' meeting and agenda issues, and provides for necessary provision of additional information to shareholders.</p>	<p><i>Company guarantees observation of this principle. Notification to shareholders, which is published, indicates Company's firm and legal address, venue, date and time of shareholders' meeting, type of shareholders' meeting, institution, which summons shareholders' meeting, operations to be performed, so that they can participate and vote, provisions of Statutes on participation of shareholders' representatives in shareholders' meeting, agenda of shareholders' meeting, as well as indicates when and where shareholders can be acquainted with decision projects on matters, included in agenda of shareholders' meeting, as well as on other matters to be examined on shareholders' meeting.</i></p>
<p>1.7. Emitent guarantees that at least fourteen (14) days before meeting shareholders can be acquainted with decision projects of matters, examined on meeting, including those, which</p>	<p><i>Company guarantees observation of this principle. Notification to shareholders indicates when and where shareholders can be acquainted</i></p>

<p>submitted already after announcing meeting. Emitent provides opportunity to get acquainted with complete text of decision project, even more it is applicable to voting for Emitent's Statutes amendments, election of Emitent's official persons, definition of their salaries, Emitent's profit division and other projects.</p>	<p><i>with decision projects on matters, included in agenda of shareholders' meeting, as well as on other matters to be examined on shareholders' meeting. Information is available before meeting.</i></p>
<p>1.8. Emitent may not restrict shareholders' rights to nominate representatives of shareholders to election to Council, and candidatures of Council members and other officials are nominated timely, so that shareholders, at least fourteen (14) days before shareholders' meeting will be provided with information on the mentioned persons at least in such amounts, as defined in para. 1.9. of this chapter.</p>	<p><i>Company guarantees observation of this principle. Company does not restrict shareholders' rights to nominate representatives of shareholders to Council in any way. Candidatures of Council members and other officials are nominated in accordance with the procedure, defined in Commercial Law and Company's Statutes (hereinafter – Statutes).</i></p>
<p>1.9. Special attention must be drawn to provide shareholders with opportunity to get acquainted with information on candidates to council members, whose approval is planned on shareholders' meeting, at least fourteen (14) days before the meeting. Publishing information on candidates to council members, short professional biography of these persons is also to be disclosed. As nomination of Emitent's council members must be performed with great care, it is desirable that Emitent discloses the mentioned information as duly as possible.</p>	<p><i>Company guarantees observation of this principle. Candidatures of Council members and other officials are nominated in accordance with the procedure, defined in Commercial Law and Statutes.</i></p>
<p>1.10. Emitent may not restrict shareholders' rights to consult each other during the meeting, if it is necessary for making any decision or ascertaining question.</p>	<p><i>Company guarantees observation of this principle. Shareholders' rights to debates and consultations during Shareholders' meeting are not restricted.</i></p>
<p>1.11. In order to provide shareholders with comprehensive information on course of shareholders' meeting, Emitent prepares regulations of shareholders' meeting course, which define procedure of shareholders' meeting course and procedure of solving meeting-related organizing matters (e.g., shareholders' registration for the meeting, procedure of making decisions on matters to be examined on the meeting, Emitent's actions, if any of agenda matters is not examined, if decision cannot be made, etc.) Emitent's adopted procedures regarding participation in voting must be easy to implement.</p>	<p><i>Company guarantees observation of this principle. Company's Shareholders' meeting course is defined by regulations of meeting course. Regulations project is prepared before Shareholders' meeting and is approved on Shareholders' meeting.</i></p>

<p>1.12. Emitent must guarantee that shareholders can query candidates to officials to be elected on shareholders' meeting and other present Emitent's representatives, during the meeting course. Emitent has rights to define reasonable conditions of querying, e.g., excluding possibility, where one shareholder uses all time, planned for querying, and to define maximum time limit of one person's speech.</p>	<p><i>Company guarantees observation of this principle. Observing all shareholders' rights, regulations of Shareholders' meeting course define procedure for querying and shareholders' rights to express their opinion.</i></p>
<p>1.13. As, defining lasting meeting break, shareholders' rights to handle their shares freely are encumbered for indefinitely long time, it is not desirable to announce shareholders' meeting break. Conditions, with which it is possible to define meeting break, must be planned in regulations of the meeting course also. Meeting break may be lunch break, short (not longer than 30 minutes) breaks, etc.</p>	<p><i>Company guarantees observation of this principle. Shareholders' meetings take place without announcing breaks. In case, where break shall be planned, it is included in regulations of meeting course, which is approved by Shareholders' meeting itself.</i></p>
<p>1.14. Indicating course and content of all agenda matters, examined on the meeting, in shareholders' meeting protocol, meeting chairman must guarantee that in cases, where any of meeting participants demands it, protocol reflects individual debates or shareholder's proposals or questions are appended to protocol in written.</p>	<p><i>Company guarantees observation of this principle. Shareholders' meetings are recorded, observing regulations of the Commercial Law.</i></p>
<p><b><u>2. Participation of members of Emitent's management institutions and candidates thereto in shareholders' meeting</u></b> <i>Members of Emitent's Board, Emitent's auditor, as well as possibly large number of members of Emitent's Council, must participate in Shareholders' meeting.</i></p>	
<p>2.1. Participation of members of Emitent's management institutions and auditor in the meeting is necessary, in order to guarantee information exchange between Emitent's shareholders and members of management institutions, as well as in order to guarantee shareholders' rights to obtain competent persons' answers to questions queried. Presence of Emitent's auditor is not mandatory on Shareholders' meeting, where Emitent's finance related matters are not examined. By using rights to query, shareholders can obtain detailed information on conditions, which can influence assessment of financial report and Emitent's financial position.</p>	<p><i>Company guarantees observation of this principle. In accordance with regulations of the Commercial Law, members of the Board and, if necessary, auditor, participate in Shareholders' meeting.</i></p>
<p>2.2. Candidates to Emitent's officials, whose election is planned on shareholders' meeting, must participate in the meeting. This especially applies to Council members. If candidate to</p>	<p><i>Company guarantees observation of this principle. In cases, where candidate cannot appear on Shareholders' meeting, all relevant</i></p>



<p>position of Council member or auditor cannot participate in shareholders' meeting, and it has justified reason, then absence of the respective person on shareholders' meeting is acceptable. In this case, all relevant information on candidate must be disclosed before the meeting.</p>	<p><i>information on candidate is available before Shareholders' meeting.</i></p>
<p>2.3. During Shareholders' meeting, meeting members must have possibility to obtain information on officials or candidates to officials, who are absent on the meeting, and on reasons for absence. Reasons for absence of Emitent's officials on shareholders' meeting are to be recorded in shareholders' meeting protocol.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p><b><u>THE BOARD</u></b></p> <p><i>Board is Emitent's executive institution, which manages and represents Emitent in its everyday operation, therefore Emitent must guarantee that Board is efficient, able to make decisions and oriented on gaining profit, by defining its responsibilities and liability clearly.</i></p>	
<p><b><u>3. Responsibilities and liability of the Board</u></b></p> <p><i>Emitent must define Board's responsibility, powers and its members' liability clearly and unmistakably, therefore guaranteeing successful operation of the Board and increase of Emitent's value.</i></p>	
<p>3.1. Board's responsibility is to manage Emitent's operation, which also includes liability for implementation of Emitent's defined objectives and strategy and liability for achieved results. Board is liable for the mentioned before Council, as well as before shareholders' meeting. Officiating, Board must make decisions regardless of its personal or Emitent controlling shareholders' interests, observing Emitent's and related enterprises' (or affiliates') shared interests.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>3.2. Powers of the Board are defined in Regulations of the Board or similar document, which is published on Emitent's web-page. This document must be available also in Emitent's office.</p>	<p><i>Company guarantees partial observation of this principle. Powers of the Board are defined on the basis of Statutes and in accordance with regulations of the Commercial Law.</i></p>
<p>3.3. Board is liable also for observation of all mandatory normative acts, for risk management, as well as for Emitent's financial operation.</p>	<p><i>Company guarantees observation of this principle. Board manages and administers all Company's matters, represents Company and manages Company's property in accordance with normative acts, Statutes and decisions of Shareholders' meeting.</i></p>
<p>3.4. Board must execute specific tasks, including: 3.4.1. assessment and direction of execution of</p>	<p><i>Company guarantees observation of this principle.</i></p>

the corporative strategy, specific operation plans, risk control procedures, annual budget and business plans, ensuring control on execution of plans and achieving planned results;	
3.4.2. selection of Emitent's managerial employees, defining their salary, controlling their operation and, in case of necessity, their replacement, observing Emitent's defined personnel policy;	<i>Company guarantees observation of this principle.</i>
3.4.3. duly and quality submission of reports, providing also for performance of internal audit, and information disclosing control.	<i>Company guarantees observation of this principle.</i>
3.5. Board confirms that internal risk control procedures are efficient and that risk management and internal control all the year was performed in accordance with the mentioned control procedures, in annual report.	<i>Company guarantees observation of this principle.</i>
3.6. It is desirable that the Board submits decisions, which define Emitent's objectives and strategy of achieving these objectives (participation in other companies, acquisition or expropriation of properties, operation expansion by opening agencies or affiliates, or by expanding field of operation, etc.), to approval in Emitent's Council.	<i>Company guarantees observation of this principle.</i>
<b><u>4. Composition of the Board and requirements to members of the Board</u></b>	
Emitent's approved composition of the Board must be such, so that it is able to ensure sufficiently critical and independent attitude in assessing and making decisions.	
4.1. Composing Board, it must be observed, that each of members of the Board has respective education and work experience. Emitent creates summary of requirements to member of the Board, which define each member's necessary skills, education, previous work experience and other selection criteria.	<i>Company guarantees observation of this principle. Members of the Board are nominated and elected in accordance with the procedure, defined in the Commercial Law.</i>
4.2. The following information on each member of Emitent's Board must be placed on Emitent's web-page: name, surname, year of birth, received education, term, for which member of the Board is elected, his/her position, description of last three years' professional experience, number of owned Emitent's or its subsidiary/parent company's shares, information on positions in other capital companies.	<i>Company organizes implementation of this principle by observing regulations of the Law on protection of individual persons' data.</i>
4.3. In order to be able to exercise their responsibilities successfully, members of the Board must have duly and precise information on Emitent's operation available. The Board	<i>Company guarantees observation of this principle. Members of the Board are duly provided with all necessary information, and they have sufficient</i>

<p>must have possibility to provide unprejudiced assessment of Emitent's operation. Members of the Board must have sufficient time for exercising their responsibilities.</p>	<p><i>time for exercising their responsibilities.</i></p>
<p>4.4. It is not desirable to elect the same member of the Board more than 4 times in a row. Emitent must evaluate, whether development of Emitent's operation will be promoted by this and whether it is possible to avoid situation, where greater power is concentrated in hands of one or more persons, taking into account their long employment at Emitent's. If such election is permitted, it is desirable to consider changing Emitent's field of operation, trusted to respective member of the Board.</p>	<p><i>Company guarantees observation of this principle. Election of members of the Board takes place in accordance with the Commercial Law and Statutes.</i></p>
<p><b><u>5. Compensation for members of the Board</u></b></p>	
<p>Fair and reasonable compensation is defined to each member of the Board for his/her performed work, and principles of defining compensation must be clear and open.</p>	
<p>5.1. Compensation, defined for members of the Board, must be clearly defined and transparent. Emitent's Council performs regular revision of defined compensation in accordance with Emitent's defined policy of compensation.</p>	<p><i>Company guarantees observation of this principle. Compensation for members of the Board is defined by Council.</i></p>
<p>5.2. Defining compensation for members of the Board and planning variable part in compensation structure, it is desirable to attach it to previously defined short-term and long-term objectives. Attaching variable part of compensation to short-term results only will not stimulate involvement of members of the Board in Emitent's long-term growth and in improving results. It is advisable that amount and structure of compensation depend on company's operation results, share price and other Emitent-related events.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>5.3. Defining compensation to members of the Board, Emitent's Council observes Emitent's defined compensation policy. Assessing work of members of the Board, Councils takes into account responsibilities, defined for each member of the Board, Emitent's financial position and other factors, which are considered relevant in assessing work of member of the Board.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>5.4. If share options are assigned to member of the Board as compensation, which give him/her rights to obtain Emitent's shares, Emitent observes conditions of option assigning, defined in Exchange regulations.</p>	<p><i>This form of compensation is not provided to members of the Board.</i></p>



<p>5.5. Disclosing information on total compensation amount, paid to members of Emitent's Board, Emitent, if it is possible, is welcomed to disclose also information on previous year of accounts, if such information was not disclosed before. Information disclosing on previous years is specifically important, so that investors are able to assess long-term compensation policy, applicable to members of Emitent's Board, and bond between Emitent's growth factors and changes in compensation systems.</p>	<p><i>Company guarantees observation of this principle. Information is available in Company's annual report.</i></p>
<p><b><u>6. Identifying conflict of interests in operation of members of the Board</u></b> <i>Each member of the Board must avoid any conflicts of interests and must be independent from any external conditions to the utmost in his/her operation, with desire to assume liability for made decisions, and must observe common ethics principles, when making any Emitent's operation related decisions.</i></p>	
<p>6.1. Responsibility of each member of the Board is to avoid appearance of any, even seeming, conflict of interest in his/her operation. Making decisions, member of the Board is guided by Emitent's interests and does not use cooperation proposals to Emitent for personal benefit.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>6.2. Member of the Board must immediately inform other members of the Board about appearance of any conflict of interests or just possibility of it. Member of the Board informs about any deal or contract, which Emitent plans to conclude with a person, who has close relations with member of the Board, or who is a person, related to member of the Board, as well as informs about appearance of any conflict of interests during operation of concluded contracts.</p> <p>As persons, who have close relations with member of the Board, for the purpose of these recommendations, are considered: spouse, relative or in-law of member of the Board, counting kinship up to the second degree and affinity to the first degree, or persons, who member of the Board, at least for one year, has joint household with. As persons, which are related to member of the Board, for the purpose of these recommendations, are considered legal persons, in which member of the Board or his/her closely related persons hold position of member of the Board or Council, execute auditor's responsibilities or hold other managerial position, which give</p>	<p><i>Company guarantees observation of this principle.</i></p>

possibility to define or influence operational strategy of respective legal person.	
6.3. It is not desirable for member of the Board to participate in making decisions, which can create conflict of interests.	<i>Company guarantees observation of this principle.</i>
<b><u>COUNCIL</u></b>	
<i>In accordance with legal acts, Council is Emitent's controlling institution, which represents interests of shareholders during meeting breaks and in law, and, in cases, defined in Emitent's statutes, supervises operation of the Board.</i>	
<b><u>7. Responsibilities and liability of the Council</u></b>	
<i>Objective of operation of Emitent's Council is to act in interests of all shareholders, providing for increase of Emitent's value. Emitent must clearly define Council's responsibilities and liability of members of the Council, as well as must ensure that individual members of the Council, or a group of them, cannot assume dominating role in decision-making.</i>	
7.1. Council's functions are defined in Council's regulations or similar document, which regulates Council's operation, and it is placed on Emitent's web-page. This document must be available also in Emitent's office.	<i>Company guarantees partial observation of this principle. Functions of the Council are defined in Statutes and are in line with requirements of the Commercial Law.</i>
7.2. In report, appended to Emitent's annual report, Council provides general information about its operation in respective year of account, information about observing corporative management principles in Emitent's operation, as well as provides other necessary information on its discretion.	<i>Company guarantees partial observation of this principle. Information is provided in Council's report, which Council prepares for General meeting.</i>
7.3. Council's performed control of Board's operation includes supervision of achieving Emitent's objectives, corporative strategy and risk management, financial reporting process, Board's proposals on Emitent's profit utilization and performance of Emitent's operation in accordance with requirements of normative acts. For each of the mentioned issues, Council must discuss and express its opinion at least once a year, observing regularity of summoning Council meetings, defined in normative acts, and discussion results must be reflected in Council's report.	<i>Company guarantees observation of this principle. Council meetings take place regularly, in accordance with procedure, defined in the Commercial Law.</i>
7.4. Council and each of its members are liable for providing all information, necessary for execution of their responsibilities, at their disposal, which is obtained from members of the Board and internal auditors or, if necessary, from Emitent's employees and external consultants. In order to ensure information exchange, Head of the Council must contact Emitent's Board regularly, including Head of the Board, and must discuss all most relevant	<i>Company guarantees observation of this principle.</i>

<p>matters, related to Emitent's operation and development strategy, business activities and risk management.</p>	
<p>7.5. Defining Council's functions, responsibility to give explanations to Emitent in cases, where he/she cannot participate in Council meetings, must be provided to each member of the Council. It is desirable to disclose information, which members of the Council have not visited more than a half of Council meetings in year of account, indicating also reason for absence.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>7.6. Council's performed control of the Board is specifically important in fields, where exists great possibility of appearance of conflicts of interests: appointment of the Head of the Board, defining compensation for members of the Board and auditing Emitent's operation. In order to stimulate more efficient Council's operation and division of responsibilities amongst members of the Council, Council can create individual commissions (audit, nomination (appointment), compensation and other commissions).</p>	<p><i>Company guarantees observation of this principle. Council's operation is regulated by Statutes and Commercial Law.</i></p>
<p>7.7. Before making decision on creation of commission, Council must evaluate possible benefits and planned costs of commission's operation, if such are planned. Structure and amount of created commissions, which Council considers necessary, in order to optimize its operation, are defined by the Council itself. On creation of commissions Council informs Emitent's shareholders, includes in Report and discloses information on Emitent's web-page.</p>	<p><i>Commissions are not created.</i></p>
<p>7.8. If decision on creation of one or more commissions is made, financing commissions' operation is permitted within Council's budget, approved by shareholders' meeting, only. Surrender of individual matters to commission's disposal cannot be considered surrender of Council's functions in any way. Council's commissions do not replace Council, and their decisions have recommendation nature only. Creation of commissions does not exempt Emitent's Council from liability for made decisions. Commissions' task is to prepare proposals for Council's decision-making, but final decision is made by the Council itself.</p>	<p><i>Commissions are not created.</i></p>

<b><u>8. Composition of the Council and requirements to members of the Council</u></b>	
<i>Emitent's defined structure of the Council must be transparent and clear and must ensure sufficiently critical and independent attitude in assessing and making decisions.</i>	
8.1. Emitent must demand from each member of the Council, as well as from each candidate to members of the Council, whose election is planned on shareholders' meeting, to provide Emitent with the following information about them: name, surname, year of birth, received education, term of holding position of member of the Council, description of last three years' professional experience, number of owned Emitent's or its subsidiary/parent company's shares, information on positions held in other capital companies. The mentioned information is placed on Emitent's web-page, additionally to the mentioned indicating also term of election of member of the Council, his/her held position, including also additional positions and responsibilities, if any.	<i>Company guarantees partial observation of this principle in accordance with the Law on individual persons' data protection.</i>
8.2. Defining nominated requirements for permissible number of additional positions to members of the Council, attention must be drawn, that member of the Council must have sufficient time for execution of his/her responsibilities, so that they can execute their responsibilities successfully and act in Emitent's interest sufficiently.	<i>Company guarantees observation of this principle. Requirements to members of the Councils and candidates are nominated in accordance with the Commercial Law and Statutes.</i>
8.3. Creating Emitent's Council, qualification of members of the Council must be taken into account and periodically evaluated. Composition of the Council must be formed with members, which collectively possess variety of knowledge, opinions and experience, necessary, in order for Council to execute its tasks successfully.	<i>Company guarantees observation of this principle. Council is created in accordance with the Commercial Law and Statutes.</i>
8.4. Each member of the Council must be independent from any external conditions to the utmost and with desire to assume liability for made decisions, must observe generally accepted ethics principles, making any decisions, related to Emitent's operation.	<i>Company guarantees observation of this principle.</i>
8.5. It is not possible to create list, which specifies all conditions, which can endanger independence of members of the Council, or which can be used in evaluating conformity of specific person to status of independent member of the Council. Therefore, Emitent must be guided by criteria of independence of members of the Council, mentioned in	<i>Company guarantees observation of this principle. Members of the Council are nominated for election in composition of the Council and operate in accordance with regulations of the Commercial Law, according to which members of the Council are independent and</i>

Appendix, in evaluating independence of members of the Council.	<i>unamenable in the process of decision-making.</i>
8.6. It is desirable that at least half of members of the Council are independent, according to criteria of independence of members of the Council, defined in Appendix. If number of members of the Council is odd, then number of independent members of the Council can be one less than number of those, who do not conform to independency criteria, specified in Appendix.	
8.7. As independent is considered a person, which conforms to criteria of independence of members of the Council, mentioned in Appendix. If member of the Council does not conform to any of independence criteria, mentioned in Appendix, but Emitent considers such member of the Council independent, it must provide detailed explanation of its opinion on tolerated indents.	
8.8. Person's conformity to independence criteria, given in Appendix, must be evaluated, when respective candidate to members of the Council is nominated for election In Council. Emitents disclose information, which of members of the Council are considered independent, each year in Report.	
<p><b><u>9. Compensation for members of the Council</u></b> Defining compensation for members of Emitent's Council for executed responsibilities, proportion principle must be observed, and compensation defining principles must be clear and open.</p>	
9.1. If member of the Council is assigned compensation for execution of trusted responsibilities, it must be planned in Emitent's compensation policy.	<i>Company guarantees observation of this principle. Compensation for members of the Council, in accordance with the Commercial Law, is defined by Shareholders' meeting.</i>
9.2. Examining Council's report, it is advisable to perform also evaluation of Council's operation on regular shareholders' meeting. Shareholders evaluate Council's operation on the basis of Council's report and other Council's provided information, which is at the disposal of shareholders, and which allows for evaluation of quality and expedience of Council's executed tasks. If evaluation of Council's operation is performed, it must include evaluation of Council's composition, work organization and ability to act as one aggregate, as well as evaluation of competence of each member of the Council. Subject to	<i>Company guarantees observation of this principle.</i>



<p>evaluation is also efficiency of operation of each member of the Council and Council's commissions, if such are created. Making decision on compensation for members of the Council, shareholders' meeting takes into account performed evaluation.</p>	
<p>9.3. Emitent discloses total amount of compensation, defined for members of the Council, in Report. Emitent must disclose total compensation, paid to members of the Council, as well as must separately indicate amount of compensation, paid to members of the Board, and variable part of paid compensation, if such was given. As variable part of compensation are understood any payments, assigned to members of Emitent's Council, which are not salary, e.g.: compensation, which is paid depending on financial results of Emitent's operation (premiums), share options, which give rights to Emitent's shares, participation in pension plans, etc.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>9.4. Defining compensation for members of the Council and planning variable part in compensation structure, it is usually attached to previously defined short-term and long-term objectives.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>9.5. Disclosing information on compensation amount, paid to members of Emitent's Council, Emitent, if it is possible, is welcomed to disclose also information on previous years of accounts, if such information was not disclosed before. Information disclosing on previous years is important, so that investors are able to assess long-term compensation policy, applicable to members of Emitent's Council, and bond between Emitent's growth factors and changes in compensation systems.</p>	<p><i>Company guarantees observation of this principle. Information is available in Company's annual report.</i></p>
<p><b><u>10. Identifying conflict of interests in operation of members of the Council</u></b> Each member of the Council must avoid any conflicts of interests and must be independent from any external conditions to the utmost in his/her operation. Member of the Council, making any Emitent's operation related decisions, must observe common ethics principles and must assume liability for made decisions.</p>	
<p>10.1. Responsibility of each member of the Council is to avoid appearance of any, even seeming, conflict of interest in his/her operation. Making decisions, member of the Board is guided by Emitent's interests and does not use cooperation proposals to Emitent for personal benefit.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p>10.2. Member of the Council must</p>	<p><i>Company guarantees observation of</i></p>

<p>immediately inform other members of the Council about appearance of any conflict of interests or just possibility of it. Member of the Council informs about any deal or contract, which Emitent plans to conclude with a person, who has close relations with member of the Council, or who is a person, related to member of the Council, as well as informs about appearance of any conflict of interests during operation of concluded contracts.</p> <p>As persons, who have close relations with member of the Council, for the purpose of these recommendations, are considered: spouse, relative or in-law of member of the Council, counting kinship up to the second degree and affinity to the first degree, or persons, who member of the Council, at least for one year, has joint household with. As persons, which are related to member of the Council, for the purpose of these recommendations, are considered legal persons, in which member of the Council or his/her closely related persons hold position of member of the Council or Council, execute auditor's responsibilities or hold other managerial position, which give possibility to define or influence operational strategy of respective legal person.</p>	<p><i>this principle.</i></p>
<p>10.3. It is not desirable for member of the Council, who is in possible situation of conflict of interests, to participate in making decisions, which can be related to appearance of this conflict of interests.</p>	<p><i>Company guarantees observation of this principle.</i></p>
<p style="text-align: center;"><b><u>DISCLOSING INFORMATION</u></b></p> <p>Good corporative management practice for Emitent, whose shares are included in Exchange regulated market, means that Emitent's disclosed information must give concept of Emitent's economic activities and its financial results. It stimulates justified pricing of financial instruments in public circulation, as well as trust to financial and capital markets. Disclosure of information is closely related to investors' relationships (hereinafter – IR), which can be defined as process of creating Emitent's relationship with its potential and existing investors and other parties, interested in Emitent's operation.</p>	
<p><b><u>11. Transparency of Emitent's operation</u></b></p> <p>Emitent's published information must be well timed and such, that allows shareholders to assess, how Emitent's management operates, provides concept of enterprise's operation and financial results, as well as allows to make justified decisions regarding owned shares.</p>	
<p>11.1. Corporative management structure must be formed in such way, so as to ensure well timed and complete information on all relevant</p>	<p><i>Company guarantees observation of this principle. Responsibilities of two Company's employees include duly</i></p>

matters concerning Emitent, including its financial position, operation results and structure of owners.	<i>preparation and distribution of relevant information.</i>
11.2. Disclosed information must be verified, precise, unmistakable, and prepared in accordance with high quality standards.	<i>Company guarantees observation of this principle. Company prepares and publishes precise information.</i>
11.3. Emitent should appoint a person, who has a right to contact press and other mass-media on behalf of Emitent, thus ensuring unified distribution of information, preventing publication of contradictory and false information, and who can be contacted, in case of necessity, by both Exchange and investors.	<i>Company guarantees observation of this principle. Right to contact press and other mass-media in Company has Head of the Board.</i>
11.4. Emitent must ensure well timed and according to defined requirements preparation and disclosure of Emitent's financial reports and annual reports. Procedure of preparing reports should be planned in Emitent's internal procedures.	<i>Company guarantees observation of this principle. Company publishes financial reports in accordance with requirements, defined in legislation.</i>
<b><u>12. Investors' relationships</u></b>	
Observing that Emitent's shares are offered on regulated market, equally important is also such field of Emitent's operation as investors' relationships (hereinafter – IR), their development and maintenance, paying special attention to availability of equal, well timed and sufficient information to all investors.	
12.1. Main IR objectives are provision of precise and true information, related to Emitent's operation, to participants of financial market, as well as provision of feedback, i.e., receiving references from existing and potential investors and other persons. Implementing IR process, one has to bear in mind that target audience is formed not only by institutional investors and analysts of financial market. Ever greater accent must be laid on individual investors, similarly, ever greater meaning is applicable to informing other interested parties: employees, creditors and deal partners.	<i>Company organizes observation of this principle.</i>
12.2. A number of channels are used for IR information circulation. Emitent's IR strategy must be formed, using technology-provided opportunities (web-pages), relationships with mass-media and links to members of financial market. Observing development stage and availability of modern technologies, IR of each modern enterprise use Internet. This type of media has become one of the most important communications means for most investors, especially abroad.	<i>Company organizes observation of this principle.</i>
12.3. Basic principles, which Emitent should	<i>Company organizes observation of</i>

<p>observe, creating IR section of web-page: 12.3.1. IR section of web-page must be seen not only as storage of information or facts, but also as one of the primary communications means, with help of which it is possible to inform existing and potential shareholders;</p>	<p><i>this principle.</i></p>
<p>12.3.2. all visitors to IR section of web-page must have possibility to conveniently obtain all published there information. Information on web-page must be given in all foreign languages, which Emitent usually distributes information in, so that foreign investors are not discriminated in any way, observing, however, that information is disclosed at least in Latvian and English;</p>	
<p>12.3.3. it is advisable to consider solution, which allows existing and potential investors and other interested to maintain link to Emitent by using IR section of web-page – to query and receive answers, to order latest information, to express opinion, etc.;</p>	
<p>12.3.4. placed on web-page information must be updated regularly and provided with well timed placing of news, related to Emitent and its operation. It is not acceptable, that outdated information, which can mislead users, is found on web-page;</p>	
<p>12.3.5. after creating web-page, its creators themselves should evaluate IR section from users' point of view – whether interesting information is easy to find, whether placed information provides answers to most important questions, etc.</p>	
<p>12.4. Emitent must ensure that at least the following information is found in IR section of its web-page: 1) general information on Emitent – history of its foundation and operation, registration data, field characterization, main types of operation; 2) Emitent's Report ("<i>observe or explain</i>") on implementation of corporative management principles; 3) number of emitted and paid for financial instruments, indicating, how many of them are included in regulated market; 4) information regarding organizing shareholders' meetings, examined decision projects, made decisions – at least for previous year of account; 5) Emitent's Statutes;</p>	<p><i>Company organizes observation of this principle.</i></p>

<p>6) Regulations of Emitent's Board, Council or similar document, which regulates its operation, as well as Emitent's compensation policy and regulations of shareholders' meeting course, if such was adopted;</p> <p>7) Description of work responsibilities of Council's commissions, if such were created, as well as information on commissions' results;</p> <p>8) information on existing members of Emitent's Council and Board (on each individually): professional work experience, education, owned Emitent's shares (position for beginning of the year, information is to be updated as necessary, but at least once a year), positions in other enterprises, as well as term of office of members of the Board and the Council;</p> <p>9) Emitent's shareholders, who own at least 5 per cent of Emitent's shares, and information of shareholders' changes;</p> <p>10) Emitent's financial reports and annual report, prepared in accordance with procedure, defined in legal acts and Exchange regulations;</p> <p>11) Any other information, which Emitent must disclose, e.g., information on important events, Emitent's prepared press statements, archived information on Emitent's financial and annual reports for previous periods, etc.</p>	
<p style="text-align: center;"><b><u>INTERNAL CONTROL AND RISK MANAGEMENT</u></b></p> <p><i>Purpose of internal control and risk management is to provide for efficient and successful Emitent's operation, genuineness and conformity of provided information to respective normative acts and operation principles. Internal control helps Board to identify flaws in Emitent's management and potential risks, as well as stimulates efficient execution of Council's responsibility – to supervise Board's operation.</i></p>	
<p><b><u>13. Operation principles of Emitent's external and internal control</u></b></p> <p><i>To ensure successful Emitent's operation, it is necessary to plan regular control of it and to define procedure of performing internal and external control (audit).</i></p>	
<p>13.1. In order to ensure successful operation, Emitent must constantly control its operation – including defining internal control procedure.</p>	<p><i>Company organizes observation of this principle.</i></p>
<p>13.2. Risk management objective is to provide awareness and control of risks, related to Emitent's commercial operation. In order to ensure efficient risk management, it is necessary to define basic principles of risk management. It is advisable to characterize most relevant potential and existing risks, related to Emitent's operation.</p>	<p><i>Company organizes observation of this principle.</i></p>
<p>13.3. Auditor must be provided with access to</p>	<p><i>Company organizes observation of</i></p>



information, necessary for executing his/her responsibilities, and possibility to visit Council's and Board's meetings, which financial results or other matters are examined on.	<i>this principle.</i>
13.4. Auditor must be independent in his/her operation, and his/her task is to provide Emitent with independent and unprejudiced audits and services of consultative nature, in order to stimulate efficiency of Emitent's operation and to provide support in achieving Emitent's management defined objectives, offering systematic approach to evaluation and enhancing risk management and control processes.	<i>Company organizes observation of this principle.</i>
13.5. At least once a year it is advisable to perform independent internal inspection, which would evaluate Emitent's operation, including its conformity to Emitent's approved procedures.	<i>Company organizes observation of this principle.</i>
13.6. Approving auditor, it is desirable that one auditor's term in office does not match Board's term in office.	<i>Company organizes observation of this principle.</i>
<b><u>COMPENSATION POLICY</u></b>	
<b><u>14. Emitent's compensation policy</u></b>	
Policy of compensation for members of the Board and the Council – form, structure and amount of compensation – is one of the fields, where involved persons have potentially greater risk to find themselves in situation of conflict of interests. In order to prevent it, Emitent should define clear compensation policy.	
14.1. Emitent is welcomed to develop compensation policy, which would define main principles of defining compensation, possible compensation schemes and other related important matters. Development of compensation policy is surrendered to disposal of Emitent's Council, which, during preparation of its project, definitely consults with Emitent's Board. Compensation policy or its most important parts are published as any other relevant information, related to Emitent's operation.	<i>Company guarantees observation of this principle.</i>
14.2. Variable compensation schemes, which provide for Emitent's shares or share options as compensation, as well as any significant amendments in such schemes should be examined also on shareholders' meeting, and, in case of necessity, must be made respective decisions. Observing abovementioned, before meeting, shareholders should be provided with all necessary information.	<i>Company guarantees observation of this principle. Company does not provide for compensation schemes, which plan Company's shares or share options as compensation.</i>

<p>14.3. Compensation schemes, which provide for Emitent's shares as compensation, theoretically can cause losses to Emitent's shareholders, as share price decline is possible due to emission of new shares. Therefore, before developing and approving any such compensation scheme, it is necessary to evaluate possible benefits or losses.</p>	<p><i>Company guarantees observation of this principle. Company does not provide for compensation schemes, which plan Company's shares as compensation.</i></p>
<p>14.4. Developing compensation policy, Emitent must definitely disclose information, how Emitent plans providing amount of shares, assigned in accordance with approved compensation schemes, - whether they are planned to obtain by purchasing on regulated market, or it is planned to emit new shares.</p>	<p><i>Company guarantees observation of this principle. Company does not provide for compensation schemes, which plan Company's shares as compensation.</i></p>