

APPROVED

by decision of the Council of Joint Stock Company
Conexus Baltic Grid of 9 September 2021,
meeting minutes No. 5 (2021)

Riga, 13.09.2021

No. INA-POL-20

**Corporate Governance Policy
of Joint Stock Company Conexus Baltic Grid**

I. Purpose of the Policy

1. The purpose of the Corporate Governance Policy of Joint Stock Company Conexus Baltic Grid (hereinafter referred to as the Policy) is to establish the principles according to which Joint Stock Company Conexus Baltic Grid (hereinafter referred to as the Company) implements efficient and sustainable corporate governance and transparency of operations.

2. The Company's mission, vision, values and strategy are determined in accordance with the role of the Company as a natural gas transmission and storage system operator in the development of the industry.

3. The Company promotes corporate values such as high standards of professionalism, responsible conduct, and ethics by ensuring that they are directed against corruption and are used to prevent situations of conflict of interest in day-to-day operations, unlawful use of internal information and any other illegal and unethical conduct.

II. Corporate Governance Structure and Organisational Structure

4. The management of the Company is carried out by the shareholders' meeting, the Council and the Board of the Company.

5. The shareholders' meeting implements management in accordance with the provisions of the Articles of Association of Joint Stock Company Conexus Baltic Grid (hereinafter referred to as the Articles of Association).

6. The Council represents the interests of the shareholders between the shareholders' meetings and supervises the activities of the Board in accordance with the Articles of Association and the Regulations of the Council of Joint Stock Company Conexus Baltic Grid (hereinafter referred to as the Regulations of the Council).

7. The Board organises its work in accordance with the functional principle: each member of the Board is responsible for a certain area of activity according to their professional knowledge, experience and competences in the respective area of responsibility, observing the division of the main areas of competences set in the Regulations of the Board of Joint Stock Company Conexus Baltic Grid (hereinafter referred to as the Regulations of the Board).

8. The Company has an organisational structure that corresponds to the Company's business area, strategic development and effective management of operational risks. In order to ensure the efficient operation of the Company, in cases where it is organisationally and economically justified, the possibilities of centralising the implementation of functions shall be considered.

III. Corporate Governance Principles

9. The Company ensures effective management, stability, and sustainable development in accordance with the following principles of corporate governance:

9.1. **sustainable development** – future-aimed development that includes growth of employees, continuous technological development, technological safety and reduction of environmental impact;

9.2. **openness and transparency** – presentation and availability of true and correct information that relates to the Company's operations and the availability of which is determined by external regulatory enactments;

9.3. **compliance** – implementation of all functions and responsibilities in accordance with external regulatory enactments and standards binding for the industry, ensuring effective monitoring of compliance. For the application of external regulatory enactments, internal regulatory enactments are developed if necessary;

9.4. **performance** – the progress of the Company's operations measured by assessing the financial indicators, operational efficiency, satisfaction of natural gas market participants and the quality of services offered;

9.5. **horizontal cooperation** – delegation of certain duties and functions to the structural units of the Company or working groups established in the Company in order to ensure the preparation of certain decisions and the achievement of the Company's goals;

9.6. **professionalism** – knowledge, responsibility, honesty and competence in the management of daily processes and decision-making, which are aimed at the high-quality performance of functions to ensure the efficient operation of the Company;

9.7. **initiative** – the ability of employees to independently perform work duties, the right to initiate an activity, the ability to see what can be done before someone points it out or before the situation requires it. Internal or external inducement, encouragement to act in order to achieve goals, including goals that go beyond those defined;

9.8. **growth** – professional development of the Company's employees ensured by the training necessary for the improvement of skills and knowledge, as well as by implementing evaluation of employees, with the aim to improve the competence of employees and the development of the Company as a whole;

9.9. **the four-eye principle** – the principle of internal control aimed at ensuring quality control for detection and timely elimination of non-conformities or errors before a decision is made;

9.10. **ethics** – in its operation, the Company respects such core values as honesty, fairness, responsibility, loyalty, professionalism, equality and dignity, including by ensuring communication ethics and professional interpersonal relationships, as well as the prevention of situations of conflict of interest;

9.11. **equal opportunities** – creation of such internal environment in the Company, which ensures equal treatment of the Company's employees in accordance with external regulatory enactments;

9.12. **communication with stakeholders** – communication with stakeholders and openness of information about the Company's activities and industry news;

9.13. **quality internal communication** – effective communication between the Company's Board, structural units and employees of structural units by ensuring the preparation and adoption of structured and systematic decisions;

9.14. **reliable external communication** – exchange of quality, true and reliable information with the Company's external environment, including the establishment of favourable public relations by creating a positive corporate image.

IV. Medium-Term Operational Strategy

10. The Company develops a medium-term operational strategy for a period of at least three years, in which it determines the Company's goals and the dividend policy, ensuring the implementation of the strategy and the assessment of the fulfilment of the goals set.

11. In developing a medium-term operational strategy, the Board shall take into account the implementation of the previous strategy, the current situation in the Company, industry and market trends, business model, opportunities and risks, stakeholders' interests, environmental, social and management aspects, as well as other relevant aspects.

12. When approving the medium-term operational strategy, the Council shall set strategic goals and priorities for the Board. The Council's supervision of the Board's activities includes supervision of the implementation of the strategy and the risks associated with it.

13. The implementation of the medium-term operational strategy is ensured by creating and maintaining an appropriate Company's business plan, setting annual performance targets and budget, as well as monitoring their implementation.

14. The Board shall, in accordance with the necessity and changes in the industry or the Company's operations, update the medium-term operational strategy and forward the updated strategy draft to the Council for review in accordance with the provisions of the Regulations of the Council.

V. Corporate Governance Documents

15. The Company's corporate governance is implemented in accordance with external regulatory enactments, medium-term operational strategy and other planning documents, the Company's governance policy and business implementation policy, as well as internal regulatory enactments that are essential for ensuring the Company's operations in accordance with external regulatory enactments and standards binding for the industry.

16. Observing the procedures and competence specified in the Regulations of the Board, the Board shall approve the internal regulatory enactments (regulations, rules, procedures) of the Company, which are binding on all structural units of the Company.

17. The responsible member of the Board is entitled to issue internal regulatory enactments (procedures, instructions) in accordance with their competence, which are binding on the structural units subordinate to the respective member of the Board.

18. The Head of a structural unit is entitled to issue internal regulatory enactments (instructions) in accordance with their competence, which are binding only for the structural units or employees subordinate to the Head of the structural unit, except in the case of a separate authorisation.

19. The Company's internal regulatory enactments are developed in accordance with external regulatory enactments, general legal principles, standards binding for the industry, the Company's governance policy and business implementation policy, internal regulatory enactments regulating the document management, as well as such internal regulatory enactments which have higher legal force.

VI. Information Disclosure and Corporate External Communication

20. The Company shall publish information on its website in accordance with the provisions of regulatory enactments, ensuring that the published information is relevant and

provides a clear picture of the Company's management, economic activities and financial results.

21. The Company's financial statements are prepared in accordance with the International Financial Reporting Standards and are audited in accordance with the International Standards on Auditing.

22. In addition to the requirements specified in regulatory enactments, the Company shall prepare a sustainability report once a year.

23. Commercial, financial and other information of the Company, which is disclosed to the mass media, public institutions, the public or elsewhere in the public domain, shall be fair, accurate and understandable.

24. If a misunderstanding has occurred in the communication, the Company shall immediately eliminate it by explaining and providing accurate information.

VII. Cooperation with Related Parties and Stakeholders

25. The Company shall treat stakeholders fairly and equally, avoiding situations of conflict of interest, fraud, and corruption. Ethical principles for cooperation shall be published for the Company and its contractual partners, and the Company shall be urged to observe principles of equally honest cooperation.

26. All transactions with related parties that have a significant impact on the Company are disclosed in the financial statements to the extent and in accordance with the procedures specified in regulatory enactments.

VIII. Internal Control System

27. An internal control system shall be established and continuously improved in the Company, and its purpose shall be to ensure:

- 27.1. the Company's efficient and sustainable operation and management;
- 27.2. obtaining and reporting timely and reliable financial information;
- 27.3. compliance with regulatory enactments.

28. The Company's internal control is implemented by ensuring the following set of measures:

28.1. development of a control environment – the structure of the Company is established and the functions, tasks, decision-making procedures and regulatory framework are defined;

28.2. risk assessment – the Company's risks are identified, risk assessment procedures are developed and risk assessment is performed;

28.3. implementation of control – accounting, reporting and reviewing measures, right delegation, decision verification, coordination and approval measures, process and risk management, as well as duty segregation measures and conflict of interest prevention measures are implemented;

28.4. information flow and communication – the Board, structural units and employees have access to the information necessary for the quality performance of work duties and tasks within the scope of their functions. The Company's employees are informed about the Company's goals, binding documents and ethical principles;

28.5. supervision – internal control monitoring measures are implemented, internal control monitoring procedures are developed (if applicable), evaluation of internal control measures, identification and elimination of deficiencies are implemented.

29. The Company's internal control is implemented at three levels in order to achieve reasonable assurance about the achievement of the goals of the Company's internal control system.

30. The Heads of the structural units of the Company shall be responsible for the implementation of the internal control system within the framework of their duties and functions delegated to them. The Company's internal control system is managed by the Board and supervised by the Council.

31. Risk identification, analysis and management in the Company shall be implemented in accordance with the Company's Risk Management Policy.

32. The supervision of the efficiency of the Company's internal control system shall be ensured by the structural unit responsible for internal audit in accordance with the Company's Internal Audit Policy.

IX. Implementation and monitoring of the Policy

33. The Board is responsible for the implementation of the Policy in the Company and for updating the Policy at least once every five years.

34. The Council is responsible for supervision of Policy implementation.

35. The Policy enters into force on the day of its signing. With the entry into force of this Policy, the Corporate Governance Policy of Joint Stock Company Conexus Baltic Grid approved by the meeting of the Council of Joint Stock Company Conexus Baltic Grid on 21 March 2019 (minutes No. 2 (2019)) shall become invalid.

Chairman of the Council

(signature*)

Ilmārs Šņucins

* This document is signed with a secure electronic signature.