

APPROVED

by the 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-017

**Risk Management Policy
of Joint Stock Company Conexus Baltic Grid**

I. Purpose of the Policy

1. The purpose of the Risk Management Policy (hereinafter referred to as the Policy) of Joint Stock Company Conexus Baltic Grid (hereinafter referred to as the Company) is to provide common basic principles of risk management in order to timely identify and manage the most significant factors adversely affecting the Company's operations, ensuring the achievement of strategic goals and successful development, as well as reducing potential losses or reputational damage.

2. The following terms are used in the Policy:

2.1. **risk** – a possible event that may negatively affect the performance of the Company's functions, achievement of goals and effective implementation of the strategy;

2.2. **risk consequences** – a qualitative or quantitative value that shows gains or losses in case if the risk occurs;

2.3. **risk appetite** – an acceptable level or degree of risk that the Company is prepared to take in achieving strategic goals;

2.4. **risk management** – a process aimed at identifying, assessing, managing and controlling potential events or situations in order to provide reasonable assurance on the achievement of the organisation's goals, identification of current and potential risks, their development scenarios, analysis of risk causes, impact and probability of occurrence, risk control identification, risk assessment before and after the current risk controls, identification, evaluation and implementation of additional risk mitigation measures to reduce the remaining risk, if necessary, as well as risk control;

2.5. **risk management system** – activities to identify, analyse, assess, mitigate and manage risks;

2.6. **risk management measures** – a set of technical and organisational measures aimed at reducing a specific risk to an acceptable level of risk or maintaining it at an existing level.

3. The principles set out in the Policy comply with binding legislation and are based on international good practices for risk management.

II. Basic Principles of Risk Management

4. The Company's risk management is an integral part of day-to-day management processes, operational activities, functions and other processes, which is binding at all levels of management.

5. The Company observes the following risk management principles:

5.1. the risk management process is a continuous and regular process in the Company, which is integrated both in the process of strategy development and implementation and in

daily operational activities, with the aim to promote the fulfilment of the Company's functions, achievement of goals and sustainability;

5.2. the risk management system and risk management process are aligned with the Company's needs and the specifics of risks;

5.3. risk management responds appropriately and in a timely manner to external and internal changes and events, allows to anticipate and prevent potential damage to operational activities, the Company's reputation and financial situation, as well as allows to ensure compliance with legal requirements and good governance practices;

5.4. risk management uses historical data on the occurrence of events, current information, as well as information on expected and forecasted events, taking into account the planned changes and observed trends;

5.5. performance of regular and systematic staff training and briefing on risk management issues, promoting awareness of risks and their management;

5.6. the risk management system is constantly improved in accordance with the principles of best practice and experience;

5.7. the responsibility for risk management is determined at different levels of the Company's management with precise definition of the responsibilities in order to achieve effective risk management of the Company;

5.8. information important for risk management is provided in a timely and sufficient manner to the responsible employees who need it.

III. Policy Implementation and Monitoring

6. The Council of the Company:

6.1. is responsible for supervision of Policy implementation;

6.2. annually reviews the report of the Board on the Company's risk management.

7. Department responsible for internal audit:

7.1. performs an independent and objective assessment of the efficiency of the Company's risk management system;

7.2. makes proposals for the improvement of the risk management system.

8. The Board of the Company:

8.1. develops and maintains a risk management policy;

8.2. establishes a comprehensive risk management system in the Company;

8.3. approves the Company's internal regulatory documents for risk management;

8.4. reviews internal risk reports and determines the risk appetite;

8.5. approves the Company's annual risk management report;

8.6. reports to the Council on the Company's risk management at least once a year.

9. The Head of the Company's Risk Management:

9.1. on behalf of the Board, develops internal regulatory documents that regulate the Company's risk management;

9.2. coordinates the operation of a comprehensive risk management system of the Company, providing support to risk managers and employees involved in risk management;

9.3. promotes cooperation between the Company's structural units in risk management issues and promotes a common understanding of risk management in the Company;

9.4. in co-operation with risk managers, develops risk management regulations;

9.5. provides risk management training for the Company's employees;

9.6. maintains and updates the Company's risk register;

9.7. submits a report to the Company's Board on the Company's risk management at least once a year.

10. Risk managers:

10.1. regularly monitor the processes of structural units and functions managed by them, as well as the external business environment, in order to timely identify and manage existing and potential risks in accordance with the scope of their functions and structural units: to ensure the implementation of risk control and identification, evaluation and implementation of additional risk mitigation measures;

10.2. participate in the development of management rules in their specific area of risks, setting criteria for the assessment of risks under their responsibility;

10.3. periodically identify, assess and review risks in their specific area;

10.4. report to the member of the Board, the Board and the Head of Risk Management of the Company on the results of the risk assessment;

10.5. promote employees' involvement in the risk management;

10.6. promote risk awareness within their specific area.

11. Heads of structural units of the Company:

11.1. ensure the implementation of risk management measures within their structural units;

11.2. when it is set by the risk manager, participate in the identification, assessment and analysis of risks within the scope of their competence;

11.3. report to the risk manager if new risks are identified or if any other information related to risk management has become known;

11.4. promote risk awareness within their units.

12. Employees of the Company:

12.1. ensure the implementation of risk management measures within the scope of their competence;

12.2. when it is set by the risk manager, participate in the identification, assessment and analysis of risks within the scope of their competence;

12.3. report to the risk manager or the immediate supervisor if new risks are identified or if any other information related to risk management has become known.

IV. Policy Implementation

13. The Company's Board and the Head of Risk Management are responsible for the implementation of the Policy in the Company and updating the Policy at least once every three years.

14. The Policy enters into force on the day of its signing.

Chairman of the Council

(signature*)

Ilmārs Šņucins

* This document is signed with a secure electronic signature