Baltic Dairy Board

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Corporate Governance Report 2019

Bauska, 2020

Baltic Dairy Board Ltd. Corporate Governance Report 2019 has been prepared, responding to the requirements of Article 56.1 and 56.2 of the Financial Instruments Market Law, and on the basis of *Corporate Governance Principles and Recommendations on their Implementation*, issued in year 2010 by JSC *Riga Stock Exchange*.

The report has been prepared by the Management Board of *Baltic Dairy Board Ltd.* and reviewed by the Council of *Baltic Dairy Board Ltd.*

Corporate Governance principles were adjusted to the operation of *Baltic Dairy Board Ltd.*, and, in 2019, *Baltic Dairy Board Ltd.* has complied with most of them.

The Report is submitted to Nasdaq Riga, AS

Kaspars Kazaks,
Member of the
Board

Bauska, 29 April, 2020

BALTIC DAIRY BOARD LTD. SHAREHOLDERS, MANAGEMENT BOARD AND THE COUNCIL

Shareholders of BALTIC DAIRY BOARD LTD.:

- **Kaspars Kazāks**, who owns 396 666 shares or 51% of the company's equity capital paid;
- **Ilona Kazāka**, who owns 155 556 shares or 20% of the company's equity capital paid;
- **Sergey Regukh**, who owns 73 889 shares or 9.5% of the company's equity capital paid;
- **Anastasia Regukh**, who owns 73 889 shares or 9.5% of the company's equity capital paid;
- **Limited partnership *ZGI-3* alternative investment fund**, reg.no. 40103697947, represented by the Chairman of the Board Normunds Igolnieks, owns 77 778 shares or 10% of the company's equity capital paid;

The Meeting of Shareholders shall have a quorum if attended by shareholders that represent a total of more than 9/10 (nine-tenths) of the Company's voting share capital.

Election of board members, changes in the composition of the Management Board and amendments of the Statutes are governed by the Participant Agreement, concluded on 14 July 2015, and the Company's Statutes.

The Company's Management Board consists of 1 (one) member of the Board who is elected in the position without a time limit. **Kaspars Kazāks** has been appointed as the Member of the Board.

Board member mandate is defined in accordance with the Participant Agreement, concluded on 14 July 2015.

The Company's Board is authorized to work with JSC *Latvian Central Depository*, for document circulation and endorsement of the accuracy of the documents submitted.

The Company Council consists of 3 members of the Council, where the Chairman of the Council is **Ivars Ķirsons**, Deputy Chairman is **Edvins Samulis** and Council members are **Ivo Līdums**.

PRINCIPLES OF GOOD CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

Internal control and risk management is intended to ensure efficient and successful operation of the Issuer, authenticity of the information provided and compliance with relevant laws and regulations and operating principles. Internal control helps the Board to identify and eliminate potential risks and weaknesses in the management of the Issuer, as well as facilitates effective enforcement of the Council's obligation to monitor the work of the Board.

1. External and internal control operating principles of the Issuer. For successful operation of the Issuer, it is necessary to plan regular controls and to determine the procedure of internal and external control (audit).

1.1 To ensure successful operation, the Issuer shall constantly control its work - including defining the procedure of internal control.

Baltic Dairy Board Ltd. complies with this principle.

1.2 The aim of risk management is to ensure the Issuer's business-related risks are identified and supervised. In order to ensure efficient risk management, it is necessary to define the basic principles of risk management. It is recommended to describe the most significant potential and existing risks related to the operation of the Issuer.

Baltic Dairy Board Ltd. complies with this principle.

1.3 The auditor must have access to information necessary for the performance of its duties, as well as the opportunity to attend Council and Board meetings, in which financial and other issues are being examined.

Baltic Dairy Board Ltd. partially complies with this principle. The auditor has not participated in any Board or Council meeting, but it has access to all the information necessary for the performance of its duties, including Council and Board meeting minutes, as well as the opportunity to ask questions and receive answers from the Issuer's Board and Council members.

1.4 The auditor must be independent its work, and its mission is to provide the Issuer with independent and objective auditing and advisory services, in order to enhance the efficiency of the Issuer's operation and to support the objectives set by the Issuer's management, providing a systematic approach for the evaluation and improvement of the risk management and control processes.

Baltic Dairy Board Ltd. complies with this principle.

1.5 At least once a year, it is recommended to carry out an independent internal review, to assess the operation of the Issuer, including its conformity to the procedures approved by the Issuer.

Baltic Dairy Board Ltd. partially complies with this principle. The internal control function is provided by the Company's Management Board and Operational functioning department.

1.6 When approving an auditor, it is desirable that the auditor's term of office does not coincide with the term of office of the Board.

Baltic Dairy Board Ltd. complies with this principle. Term of office of the Management Board is unlimited, while the auditor is reviewed and approved annually.