



CORPORATE GOVERNANCE REPORT



OlainFarm

Corporate governance report

The 2020 Company Corporate Governance Report was prepared based on Section 56.2 of the Financial Instrument Market Law and the “Principles of corporate governance and recommendations for their implementation” published by AS Nasdaq Riga in 2010 (available at www.nasdaqbaltic.com). The principles were developed taking into account the corporate governance recommendations of the EU and OECD.

In its activities, the Company follows the guidelines issued by JSC Nasdaq Riga (“Principles of corporate governance and recommendations for their implementation”), which were developed based on the corporate governance recommendations of the EU and OECD. The Company has established and consistently improved its corporate governance system, revising current processes and implementing new processes appropriate for the modern business environment.

The Management Board and the Supervisory Council of the Company are in charge of implementing the principles of corporate governance in the Company’s activities. The Management Board and the Supervisory Council of the Company inform its shareholders of the corporate governance system and changes within it during plenary shareholders’ meetings, and they publish a corporate governance report in the manner prescribed in the applicable laws and regulations. The Company’s shareholders vote on approving the report simultaneously with the decision on approving of the annual report for that year. JSC Olainfarm has historically implemented and complies with the best corporate governance principles. The Company’s strategy for 2020–2025 was approved in 2020 – this was not only in line with the principles set in 2020, but also fulfilled a key requirement of the new code of corporate governance in advance. Furthermore, in 2020, the meeting of JSC Olainfarm shareholders approved the remuneration policy, and the Company ensured the preparation of a remuneration report.

2020 developments in corporate governance

Corporate governance is a significant component of JSC Olainfarm activities;

it is used to manage the Company as well as supervise and direct it towards achieving its goals, with the purpose

of promoting economic efficiency, sustainable growth, and financial stability, particularly in the uncertain and unstable circumstances caused by the spread of Covid-19 in 2020.

In 2020, the Company saw much success in improving its corporate governance by improving the current processes and implementing new ones, such that the governance meets modern business requirements, boosting the value of the Company and creating benefit for all stakeholders.

The same year, despite external factors, the Company worked on improving its business processes, including those pertaining to sales and marketing as well as financial accounting and planning, where we began the implementation of sustainable human resources management processes that meet modern requirements. We took measures to enhance the efficiency of various processes and continued working on revising and improving our product portfolio.

In 2020, the Company’s shareholders approved the Company’s Supervisory Council and the Management Board remuneration policy, thus encouraging sustainable performance by Members of the Supervisory Council and the Management Board that complies with the interests of shareholders, enables effective risk management, and promotes the achievement of business goals set for the Company.

Compliance with the principles of the code of governance

1.	Enforcement of shareholders' rights and participation in shareholders' meetings	
1.1.	Owners of shares of the same category have equal rights	Compliant
1.2.	Profit distribution policy developed	Compliant
1.3.	Party summoning a shareholders' meeting complies with requirements for providing information	Compliant
1.4.	Ability to participate in shareholders' meetings, with sufficient space and no changes in the venue or appointed time of the meeting	Compliant
1.5.	Announcement of shareholders' meetings in accordance with the law	Compliant
1.6.	Timely reporting on the progress of meetings, their agendas, decisions, and voting records	Compliant
1.7.	Availability of draft decisions at least 14 days prior to the meeting	Partial*
1.8.	Right to propose shareholders' representatives to be elected as Members of the Supervisory Council or to other officers	Compliant
1.9.	Availability of information about Members of the Supervisory Council and Audit Committee candidates	Partial*
1.10.	Right to consult with one another during meetings	Compliant
1.11.	Shareholders' meeting proceedings regulations developed	Compliant
1.12.	Ability to ask questions to representatives of the issuer during meetings	Compliant
1.13.	Recording available on matters reviewed during the meeting	Compliant

* The Company provides all of its shareholders with the equal right to review lists of shareholders in the legally prescribed manner; the Company contacted the shareholders that expressed their intention to do so in September 2020 regarding the corresponding appointment time. Shareholders were asked to contact the Company representative to appoint a time for exercising this right. No shareholder used this opportunity. The Management Board of the Company made it possible to publish draft decisions within the time specified. The Company announced all shareholder meetings initiated by shareholders and included additional items (submitted in the legally prescribed manner) in the agenda of the meetings. For reasons independent of the Company itself, the Company did not publish information about candidate members of the Supervisory Council and the Audit Committee; this information was not available to the Management Board. The Company posted a statement in order to notify all shareholders about this (<https://cns.omxgroup.com/>).

2.	Participation of (candidate) members of administrative bodies in shareholders' meetings	
2.1.	Participation of members of administrative bodies and auditors in shareholders' meetings	Compliant
2.2.	Participation of candidate officials in shareholders' meetings	Compliant
2.3.	Availability of information about the absence of (candidate) officials at shareholders' meetings	Compliant

3.	Duties and responsibilities of the management board	
3.1.	Fulfilment of duties and responsibilities for fulfilling goals and Company's strategy, and corresponding results	Compliant
3.2.	Allocation of authority in the Management Board regulations, and the public availability of the regulations	Compliant
3.3.	Responsibility for compliance with applicable laws and regulations for risk management and financial activities	Compliant
3.4.	Fulfilment of tasks assigned to the Management Board, including the advancement of strategies, risk management and control, and the selection of staff	Compliant
3.5.	Acknowledgement of the effectiveness of risk control procedures and risk management	Compliant
3.6.	Approval of goals and strategies by the Supervisory Council	Compliant

4.	Management board members and requirements set for members of the board	
4.1.	Skills, education, and professional experience required for Members of the Management Board	Compliant
4.2.	Availability of information about every Member of the Management Board on the website	Compliant
4.3.	Timely provision of accurate information about Company operations to Members of the Management Board	Compliant
4.4.	Limited number of Management Board Member terms in office	Compliant

5.	Identification of conflicts of interest in board member activities	
5.1.	Prevention of the potential for a conflict of interest in Member of the Management Board activities	Compliant
5.2.	Reporting of the occurrence of possible conflicts of interest	Compliant
5.3.	Refraining from participating in any decision-making that may involve a conflict of interest	Compliant

6.	Duties and responsibilities of the supervisory council	
6.1.	Definition of Supervisory Council functions in Supervisory Council regulations; their publication and availability	Compliant
6.2.	Supervision of the attainment of Company goals	Compliant
6.3.	Responsibility for obtaining information and discussing key matters associated with Company operations	Compliant
6.4.	Participation in Supervisory Council meetings and the provision of explanations of absence	Compliant

7.	Members of the supervisory council and requirements set for them	
7.1.	Availability of information about Members of the Supervisory Council	Compliant
7.2.	Time allocated for the successful performance of duties, ability to perform work in a complete manner	Compliant
7.3.	Adequate qualifications of Members of the Supervisory Council	Compliant
7.4.	Impartial attitude in adopting decisions and compliance with ethical principles	Compliant
7.5.	Application of Supervisory Council Member independence criteria	Compliant
7.6.	Proportion of independent Supervisory Council Members	Compliant
7.7.	Interpretation of Supervisory Council Member independence criteria	Compliant
7.8.	Independent Supervisory Council Member report	Compliant
8.	Identification of a conflict of interest in members of supervisory council activities	
8.1.	Prevention of the potential for a conflict of interest in Members of the Supervisory Council activities	Compliant
8.2.	Reporting occurrences of possible conflicts of interest	Compliant
8.3.	Refraining from participating in any decision-making that may involve a conflict of interest	Compliant
9.	Transparency in operations	
9.1.	Clear and easy-to-understand corporate management structure	Compliant
9.2.	Disclosure of verified, accurate and unambiguous information	Compliant
9.3.	Assignment of a contact person for communication with the press, stock exchange and investors	Compliant
9.4.	Timely and compliant preparation and publication of financial and annual reports	Compliant
10.	Investor relations	
10.1.	Provision of accurate and true information and feedback	Compliant
10.2.	Availability of uniform and clear information to all investors	Compliant
10.3.	Provision with different channels for obtaining information	Compliant
10.4.	Principles for posting information on the website	Compliant
10.5.	Contents of the information posted on the website	Compliant
11.	Principles of external and internal control	
11.1.	Continuous control of the Group's activities, and improvements in the internal control procedure	Compliant
11.2.	Identification and monitoring of business risks	Compliant
11.3.	Assurance of availability of information for the work of the auditor	Compliant
11.4.	Assurance of the independent work of the auditor	Compliant
11.5.	Fulfilment of independent internal audits	Compliant
11.6.	Assignment of different terms of office for the auditor and Members of the Management Board	Compliant
12.	Audit Committee	
12.1.	Definition of functions and responsibilities in the regulations of the Audit Committee	Compliant
12.2.	Assurance of effective operation of the Audit Committee	Compliant
12.3.	Availability of information about the accounting methods used	Compliant
12.4.	Provision of information necessary for the operation of the Audit Committee	Compliant
12.5.	Audit Committee reports to the meeting of shareholders	Compliant
13.	General principles, methods and criteria for setting remuneration	
13.1.	Remuneration Policy developed	Compliant
13.2.	Separation of administrative bodies in developing the Remuneration Policy	Compliant
13.3.	Linking of variable remuneration to results	Compliant
13.4.	Maximum amount of variable remuneration set	Compliant
13.5.	Minimum period set within which the issuer's shares and options intended as a part of variable remuneration may not be used	Not applicable**
13.6.	Ability to request that variable remuneration be repaid if awarded without justification	Compliant
13.7.	If the variable remuneration scheme includes shares, its effect on current shareholders is assessed prior to its implementation	Not applicable**
13.8.	If variable remuneration includes the issuer's shares or options, the manner in which the shares are to be obtained is specified	Not applicable**

13.9.	Stock exchange regulations for the award of share options are complied with in developing the policy for using share options in variable remuneration	Not applicable**
13.10.	Principles for paying compensation to officials in the event of termination of employment	Not applicable**
13.11.	Maximum amount payable in the event of termination of employment is set	Not applicable**

14. Remuneration policy notification

14.1.	Publication of the remuneration report	Compliant
14.2.	Open information about the application of the remuneration policy and the amount of remuneration in the administrative bodies	Compliant
14.3.	Prevention of redundancy in open information	Compliant
14.4.	If information about remuneration is commercially sensitive and is not disclosed, the reason for the non-disclosure is provided	Not applicable**
14.5.	Open information about remuneration and other income of every Member of the Management Board and the Supervisory Council	Compliant
14.6.	Not applicable for shares/share options used in remuneration schemes as there are no share options and schemes	Not applicable**
14.7.	Open information about contributions to private pension fund plans	Not applicable**
14.8.	Share-based remuneration schemes approved by the shareholder meeting	Not applicable**

** The remuneration policy of the Company does not include share and option elements and is summarized in Remuneration Report presented on pages 28 to 32, which is an integral part of this annual report.

Shares and shareholders

The share capital of JSC Olainfarm comprises 14,085,078 ordinary shares registered in the Nasdaq CSD depository and included on the Official Baltic List at Nasdaq Riga. All shares provide the same rights, with one vote per share. The total quantity of shares during the reporting period has not changed. The Company does not own its own shares and has no approved program for buying its shares back.

ISIN	LV0000100501
Exchange code	OLF1R
List	Riga, Official Baltic List
Nominal value	EUR 1.40
Total number of shares	14 085 078
Number of securities in public circulation	14 085 078

Source: Nasdaq Riga stock exchange

Sales

Over the 12 months of 2020, the average price of JSC Olainfarm share was EUR 7.08, traded within a range between EUR 5.36 and 7.78 per share. During this period, a total of 10,858 transactions took place involving 1,157,029 shares, with a value of EUR 8,047,532.30.

Share price trend over the three years prior to the end of the reporting period

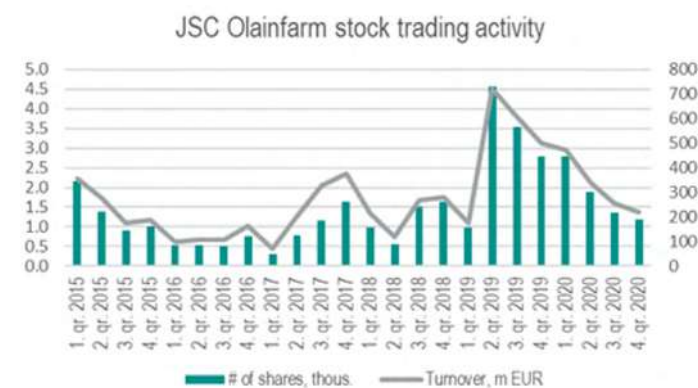


Over the 12 months prior to the end of the reporting period, the OMX Riga index rose by 9.67%, while the price of JSC Olainfarm shares fell by 0.82%.

The chart below shows the price of JSC Olainfarm shares at Nasdaq Riga, as compared to OMX Riga, during the 12 months prior to the end of the reporting period.



More than 190 thousand shares with a total value of EUR 1.4 million were traded at Nasdaq Riga in Q4 2020. Year-on-year, the number of traded shares fell by 57% and the total traded value decreased by 56%.



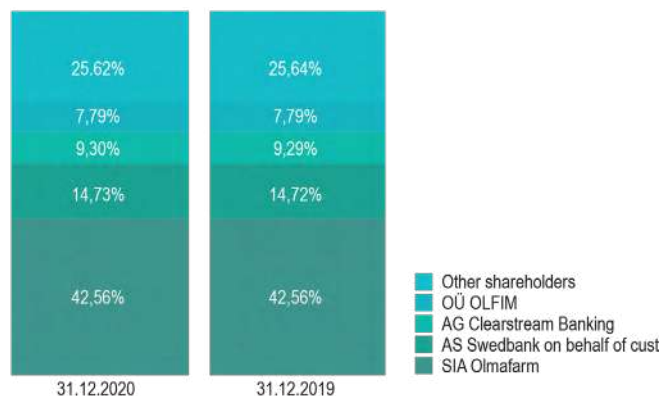
Security trading results

	2020	2019	2018
Share price (EUR):			
initial	7,30	6,70	8,05
highest	7,78	7,80	9,10
lowest	5,36	5,44	6,20
average	7,08	6,75	7,71
final	7,24	7,30	6,70
Change (between the initial and the final price)	2,42	2,36	2,90
Number of transactions	10 858	6 515	3 740
Number of shares traded	1 157 029	1 898 995	747 883
Turnover (million EUR)	8,05	12,54	5,51
Capitalization (million EUR)	101,98	102,82	94,37

Shareholder structure and major shareholders

As of 31 December 2020, JSC Olainfarm had 1,721 shareholders, of which 1,530 were private individuals and 191 were legal entities, including nominal account owners. Investors from the Baltic States comprise 97% of the total number of shareholders, with most of them from Latvia and the rest from Estonia and Lithuania, respectively.

Major shareholders, % of the number of shares



Shareholder involvement

The Financial Instrument Market Law and the Commercial Law determine the authority of the shareholders' meeting, the decision-making procedure, and the course of action in certain situations. The purpose of the Supervisory Council is to represent the interests of shareholders in the periods between meetings. The Management Board must ensure that the rights of shareholders are complied with and that their meetings are arranged. In 2020, a regular meeting of shareholders was summoned at the initiative of the Management Board, while extraordinary meetings took place at the initiative of shareholders. A number of measures to combat the spread of Covid-19 were in effect in the country, including public gathering restrictions and stricter hygiene requirements. The procedures of shareholders' meetings are governed by provisions of the Financial Instrument Market Law, which state that voting as part of shareholders' meetings may be arranged through post or digital communication tools if such voting methods are specified in the articles of association of the joint-stock company. The articles of association of the Company do not provide for such methods. The Management Board is required to ensure as high a turnout at shareholder meetings as possible. The summoning and organizing of shareholders' meetings in autumn 2020 were in line with the restrictions in effect in the country.

Meetings in 2020

Announced	Held
24.01.2020, extraordinary shareholder meeting	
22.09.2020, regular shareholder meeting	✓
22.09.2020, extraordinary shareholder meeting	

Extraordinary shareholders' meetings proposed by Ltd OLMAFARM and OLFIM OÜ.

Shareholders that propose the inclusion of additional items in the meeting agenda

N. Saveljeva (7,79 %)

JSC Olainfarm shares owned by the officers of its administrative bodies

Valde

Chairman of the Management Board	Jerūns Hide Veitess	None
Member of the Management Board	Elena Bušberga	None
Member of the Management Board	Milana Beļeviča	None
Member of the Management Board	Zane Kotāne	None
Member of the Management Board	Raimonds Terentjevs	None
Member of the Management Board	Signe Baldere -Sildedze	directly: 297 indirectly: 1,097,026 shares (manages the shares as the natural guardian of the JSC Olainfarm underage shareholder Anna Emīlija Maligina)

Supervisory Council

Chairman of the Supervisory Council	Gundars Bērziņš	3
Deputy Chairman of the Supervisory Council	Jānis Buks	None
Deputy Chairman of the Supervisory Council	Kārlis Krastiņš	None
Member of the Supervisory Council	Haralds Velmers	None
Member of the Supervisory Council	Andrejs Saveljevs	None

Dividends

Policy	Dividend policy (www.olainfarm.com)
Amount of dividends specified in the policy	At least 20% of the net profits of the Company
Dividends paid in 2020	EUR 4,507,224.96
2019 profits	Allocated for the development of the Company

Other aspects

On 22 September 2020, shareholders decided to file legal action against former Members of the Management Board to recover losses. The Management Board of the Company fulfilled the decision within the legally prescribed period.

Internal control

Internal control system

An internal control system has been set up at the Company with the purpose of ensuring the efficient, sustainable, and successful operation of the Company, the reliability of the data provided, and the compliance with applicable laws, regulations and business principles.

The Company continues implementing risk management, the goal of which is to identify, assess and manage potential events or situations to gain confidence about achieving the strategic goals of the Company.

The internal control system of the Company is supervised by its Supervisory Council.

Internal audit

The Company has established an internal audit function subordinated to the Supervisory Council. The Supervisory Council approves the internal audit regulations and appoints the head of the internal audit. The purpose of the internal audit is to independently assess and monitor the effectiveness of risk management and internal controls, as well as their compliance with laws and regulations, including principles of ethics through supervising the application of the principles of business ethics in practice. The Supervisory Council approves the annual plan of internal audit based on the overall priorities of the audit, using risk-based methodology and following the recommendations of the Management Board.

Audit Committee

The regulations of the Audit Committee define its goals, objectives, members, structure, election and dismissal procedure, decision-making procedure, the organization of its work, and its rights, duties and responsibilities (www.olainfarm.com). Overall, the members of the Committee, of which one is a Member of the Supervisory Council, have professional experience, knowledge, and expertise in the fields of business operations, the preparation of annual reports, auditing, and financial and internal control. The Committee is elected for a period of three years, as per its regulations. The Members of the Audit Committee receive remuneration for their work. Additional information about the Audit Committee is available on page 13.

External auditor

In accordance with a decision taken at the meeting of the Company's shareholders on 5 June 2018, the annual and consolidated annual report of the Company is audited by Ltd PricewaterhouseCoopers (Ltd., license No. 5). The external audit is carried out in accordance with the applicable laws, regulations and standards. The decision on the auditor extends to the audit of the annual reports for 2018, 2019 and 2020. The independent auditor's report is published along with the annual report and is available publicly.

Audit Committee report

Key governance policies (developed and confirmed)

- Code of ethics
- Whistle-blower procedure
- Dividend policy*
- Remuneration policy*
- Donations policy*
- Human resources policy
- Internal audit policy
- Confidentiality clauses
- Personal data processing policy

The Company has developed assessment procedures and conducts the assessment of its partners prior to concluding transactions with them in order to prevent the risk of money laundering (AML). The sanction and risk management policy is included in a number of documents of the Company, which enables the application of the policy in practice.

The Company continues work on improving its partner assessment policy, with the goal of preventing risks to reputation and security of the Company when initiating and continuing transactions with its partners.

* Relevant policies are available on the website of the Company, www.olainfarm.com

