

APPROVED
by decision No JALP-1.6./14-2022
of the Executive Board of the
Joint Stock company LatRailNet
in a meeting held on 26 April 2022
(min. No JALP-1.5./6-2022)

Joint Stock Company "LatRailNet" corporate governance code

The Corporate Governance Code of the Joint Stock Company "LatRailNet" has been developed in compliance with Paragraph 2 of the Cabinet of Ministers Regulation No. 175 of 15 March 2022 "Regulations on Corporate Governance Recommendations Applicable to a Capital Company of a Public Person and a Public Private Capital Company", which stipulates that Recommendations for Good Corporate Governance for Companies in Latvia " are applicable to a capital company as well as in compliance with the guidelines of the Corporate Governance Code of the Latvijas dzelzceļš Group.

1. Terms

- 1.1. Company - joint stock company "LatRailNet".
- 1.2. The group - the parent company and all the companies included.
- 1.3. Shareholder - state joint stock company "Latvijas dzelzceļš".
- 1.4. Council - the council of the joint stock company "LatRailNet".
- 1.5. Board - the Board of the joint stock company "LatRailNet".
- 1.6. Coordinating institution - Cross-Sectoral Coordination Center.
- 1.7. Governance Law - Law on Governance of Capital Shares of a Public Person and Capital Companies.
- 1.8. Code - this Corporate Governance Code of the joint stock company LatRailNet.
- 1.9. Corporate governance - a set of measures to achieve the objectives and control the operations of the joint stock company "LatRailNet", as well as to assess and manage the risks related to the operation of the joint stock company "LatRailNet".

2. Purpose

The purpose of the Code is to establish common principles according to which the Company implements corporate governance by promoting ethical, responsible and transparent corporate governance practices in the Company.

3. Company's corporate values and basic ethical principles

- 3.1. The company's mission, vision and values are defined in the medium-term operating strategy.
- 3.2. The Company ensures that its operations comply with applicable laws and the principles of fair business practice. In cooperation with partners the basic principles of business ethics are applied.
- 3.3. The Company decides on infrastructure charges and capacity allocation in accordance with the principle of equality, as well as the requirements for optimal use of the infrastructure. The company, while performing its functions, ensures equal, fair and non-discriminatory access to the infrastructure for all railway undertakings (applicants).
- 3.4. The company's corporate values, as well as the principles of professional conduct and ethics, ensuring that they are against corruption, conflicts of interest, unlawful use of inside information and any other illegal and unethical conduct, are set out in internal law, and the company applies SJSC Latvijas dzelzceļš Group Code of Ethics, insofar as it does not contradict the requirements of the Company's independence program.
- 3.5. The company's corporate values, as well as the principles of professional conduct and ethics, ensuring that they are against corruption, conflicts of interest, unlawful use of inside information and any other illegal and unethical conduct, are set out in internal law, and the company applies SJSC Latvijas dzelzceļš Group Code of Ethics, insofar as it does not contradict the requirements of the Company's independence program.

4. Organizational structure and management of the company

- 4.1. The Company is a joint stock company operating in accordance with the Statute, the Management Law, the Commercial Law, the Railway Law and other legal acts.
- 4.2. The company's 100% share capital belongs to the state joint stock company "Latvijas dzelzceļš".
- 4.3. The management of the Company is carried out by the shareholders' meeting, the Council and the Executive Board within the competence specified in the Governance Law and the Railway Law.
- 4.4. The Company is developing an appropriate and transparent organizational structure for the set goals, the performed business, strategic development and effective management of operational risks.
- 4.5. The number and term of office of the members of the Council and the Executive Board is determined in the Statute, observing the relevant regulations of the Cabinet of Ministers, in accordance with the indicators characterizing the size of the Company.
- 4.6. The Council of the Company organizes its work in accordance with the requirements specified in the regulations of the Council. The Council establishes an annual provisional calendar of ordinary Council meetings for the calendar year.
- 4.7. The Board of the Company organizes its work in accordance with the requirements specified in the regulations of the Board.

5. Shareholders' meeting

The shareholders' meeting makes decisions within the competence specified in the Governance Law and other legal acts, observing the independence requirements of the performer of the essential functions of the public-use railway infrastructure manager specified in the Railway Law.

The Company provides shareholders with timely information on the course of the shareholders' meeting, providing all the necessary information for decision-making, and the Company promotes effective involvement of shareholders in decision-making and the widest possible participation of shareholders in shareholders' meetings.

6. Council of the Company

- 6.1. The Council represents the interests of the Shareholder between the shareholders' meetings and supervises the activities of the Board of the Company.
- 6.2. The principles of operation of the Council, as well as the main responsibilities are determined by the Governance Law, the Commercial Law, other external legal acts, the Statute and the Regulations of the Council.
- 6.3. The Council does not make decisions on issues that are within the competence of the Board of the Company.
- 6.4. The Council takes informed and balanced decisions.
- 6.5. The Council performs its activities in compliance with the requirements of Section 13.¹ of the Railway Law.
- 6.6. The Council conducts an annual self-assessment in accordance with the guidelines of the Coordinating Institution. Information on the self-assessment of the Council is considered at the Council meeting.
- 6.7. The Council does not set up committees as they are not necessary for reasons of expediency.

7. Board of the Company

- 7.1. The executive body of the company is the Board. The Board supervises and manages the Company's affairs. It is responsible for the Company's business as well as for its proper accounting and document management. The Board manages the Company's property and handles its funds in accordance with the laws, the Statute, decisions of the Council of the Company and the shareholders' meeting.
- 7.2. The Board organizes its work in accordance with the procedures approved by the Board specified in the Regulation of the Board.
- 7.3. When making decisions as a performer of essential functions of a public-use railway infrastructure manager, the Board observes the requirements specified in the Railway Law and the Independence Requirements Program.
- 7.4. The Board represents the Company jointly.

- 7.5. The evaluation of the performance of the members of the Board is performed in accordance with the guidelines of the Coordinating Institution. The individual goals to be achieved by each member of the Management Board for the next period are determined by a decision of the Company's Council. At the end of the evaluation period, a member of the Board performs a self-assessment in accordance with the achievable goals and competencies set for him / her, which is submitted to the Council of the Company for review once a year after approval of the annual report.

8. Nomination and election of members of the Company's Council and the Board

- 8.1. The procedure for nominating and electing the members of the Council and the Board, as well as the mandatory requirements for candidates, are determined by the Governance Law, the regulations of the Cabinet of Ministers issued on its basis, the Railway Law, and the guidelines of the Coordinating Institution.
- 8.2. The process of nominating the members of the Council and the Board complies with the principles of good corporate governance practice, ensures open, fair and professional selection of the members of the Council and the Board, thus promoting the establishment of a professional and competent capital company. All members of the Council are appointed as independent members of the Council.
- 8.3. The composition of the Council and the Board is designed to ensure the competence and independence in decision-evaluation and decision-making required for good governance and the Company's operations or industry.

9. The company's strategic goal and operating strategy

- 9.1. The medium-term operating strategy for the three-year period is approved for the Company in accordance with Article 57 of the Governance Law, as well as the process of evaluating its implementation and fulfillment of the set objectives is ensured.
- 9.2. The share of profit to be paid in the company's dividends is planned for a period of three years and is determined in the medium-term operating strategy. If the Board of the Company proposes to pay a share of the Company's profit in dividends that differs from the one specified in the medium-term operating strategy, the issue is considered by the Council and a decision is made at the Shareholders' Meeting.
- 9.3. The Company sets annual goals for the Company's governance once a year, and if necessary, the goals may be amended or added within the relevant period.
- 9.4. The process of implementing the medium-term operational strategy:
- 9.4.1. approval of the action plan for the implementation of the strategy for the year and a report on its implementation once a year;
 - 9.4.2. development of the budget and capital investment plan for each subsequent calendar year;
 - 9.4.3. linking medium-term objectives to short-term objectives and goals, setting the goals to be achieved within a calendar year, the fulfillment of which is assessed by specific performance indicators;
 - 9.4.4. control of the goals set in the medium-term operational strategy once a year;
 - 9.4.5. reviewing the medium-term business strategy if there have been significant changes in the business environment or the Company's operations;
 - 9.4.6. evaluation of the results of the previous period, analysis of the business environment and expected changes.
- 9.5. The continuity of the medium-term operational strategy implementation process is ensured, including the timely start of the strategy planning process for the next period.

10. Corporate Governance Tools

- 10.1. The Company's governance is implemented in accordance with the Company's policies, the Company's legislation and planning documents.
- 10.2. The Company's policies and the Company's legislation set out the principles on which business decisions are based to ensure / promote the efficient and effective use of resources and to reduce the risks inherent in the industry.
- 10.3. The Company operates in accordance with the general principles of the Group's financial and personnel management.
- 10.4. The Company's obligation to implement and comply with the Group's policies is determined by the decisions of the Shareholder, the legal acts binding to the Company and the authorization agreements concluded with the members of the Board and the Council.

- 10.5. The Council of the Company determines the most important policy areas and approves the most important policies of the Company. Issues of corporate governance implementation are included in the agenda of the Council at least once a year. As necessary, but not less than once in three years, the most important policies of the Company are updated.

11. Corporate Social Responsibility

The company does not make gifts or donations.

12. Remuneration policy

- 12.1. Remuneration policy is developed and improved in order to provide the competencies necessary to achieve the Company's goals, to attract long-term employees and motivate them for quality work performance and increase efficiency, increase employee loyalty, responsibility and initiative level, promote employee motivation to achieve the Company's goals, promote employee involvement improving the quality of work performance, as well as the efficient and rational use of financial resources.
- 12.2. Remuneration (types, amount) of the members of the Council and the Board is determined in accordance with the Governance Law, taking into account the regulations of the Cabinet of Ministers issued on its basis, the guidelines of the Coordinating Institution and the principles of remuneration for the members of the Council and the Board set out in the internal regulations of the Ministry of Transport.
- 12.3. The normative and methodological documents of the remuneration of the Company determine uniform basic principles of the remuneration system, elements of remuneration and motivation, as well as other the most important conditions for determining the remuneration of employees.

13. Prevention of conflicts of interest in the activities of the members of the Council and the Board

- 13.1. The members of the Company's Council and the Board are public officials in accordance with the Law on the Prevention of Conflicts of Interest in the Activities of Public Officials, and must comply with the general and special restrictions on amalgamation of public office, income, business, gift and donation, as well as the duties of a public official.
- 13.2. In their activities, the members of the Board of the Company comply with the restrictions specified in the Commercial Law for concluding transactions with related parties, as well as the prohibition of competition.
- 13.3. The competence of the Council of the Company is to approve the conclusion of a transaction between the Company and a member of the Board of the Company and to consider issues related to the amalgamation of the positions of the members of the Management Board and situations of conflict of interest.
- 13.4. The shareholders' meeting or the Council of the Company approves the conclusion of a transaction or gives consent to the conclusion of a transaction between the Company and a member of its council or board or a related person, and resolves conflicts of interest and issues of amalgamation of the positions in accordance with internal and external legal acts on prevention of conflicts of interest in the activities of public officials.

14. Internal control and risk management

- 14.1. The company establishes and constantly improves the internal control and risk management system.
- 14.2. The Company's risk management system is managed by the Board, while the Council supervises it.
- 14.3. The financial statements of the companies are audited by an independent sworn auditor.
- 14.4. Taking into account the size of the Company and the implemented internal control measures, as well as ensuring the independence of the essential functions, it is currently not considered useful to establish a separate, independent audit function directly subordinated to the Council.
- 14.5. In cases where a potential risk is identified, the Council, in consultation with the Board, determines the optimal type of inspection.
- 14.6. Supervision of the performance of essential functions is performed by the State Railway Administration in accordance with legal acts.

15. Transparency of Company's operations

The Company publishes information on the Company's website www.lrn.lv in accordance with the law, ensuring that the published information is timely and provides a clear picture of the Company's governance, business operations and financial results.

16. Cooperation with stakeholders and interested parties

- 16.1. The Company ensures fair and equal treatment of stakeholders, preventing conflicts of interest, fraud and corruption.
- 16.2. The principles of business ethics of the Company's cooperation partners for cooperation with contractual partners are made public and the cooperation partners are invited to observe the principles of cooperation in good faith.
- 16.3. The Company complies with the provisions of the Commercial Law and other legal acts in transactions with related parties.

17. Provision control mechanism

- 17.1. The company publishes the Code on its website www.lrn.lv.
- 17.2. The report on corporate governance in the Company is reviewed at the meeting of the Council and attached to the Company's annual report.
- 17.3. The Code and internal legislation, which are developed incorporating the principles contained in this Code, are reviewed at least every three years and updated as necessary, including in accordance with changes in binding legislation.

The document contains the time stamp and is signed by a secure electronic signature by:

Chairman of the Board J.Hudenko – see certificate

Member of the Board G.Lapiņš – see certificate