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Approved by AS DelfinGroup
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Minutes No 09/2021

CHARTER OF AS *DELFIN*GROUP RISK AND AUDIT COMMITTEE No 2PL3-0

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1. TERMS USED

- 1.1. Company- AS DelfinGroup and its subsidiaries, Reg. No 40103252854, registered address: Skanstes iela 50a, Riga, LV-1013
- 1.2. *Supervisory Board – Supervisory Board of AS DelfinGroup*
- 1.3. *Board – Management Board of AS DelfinGroup*
- 1.4. *Committee– Risk and Audit Committee of AS DelfinGroup*
- 1.5. *Charter – This Charter of Risk and Audit Committee of AS DelfinGroup*
- 1.6. *Regulation - Regulation (EU) No 537/2014 of the European Parliament and Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities*
- 1.7. *FITL – Financial Instrument Market Law*

2. PURPOSE AND ROLE OF THE COMMITTEE

- 2.1. The purpose of the Committee is to ensure the protection of shareholders' interests in relation to preparation of the Company's annual reports and audit thereof, effectiveness of internal control, risk management and internal audit system insofar as this applies to the veracity of the annual reports and ensuring objectivity, incl.:
 - 2.1.1. supervising the process of preparing the Company's annual reports and making recommendations to the Supervisory Board to ensure the veracity and objectivity of the annual reports
 - 2.1.2. monitoring the effective operation of the Company's internal control, risk monitoring and internal audit systems insofar as this applies to ensuring the veracity and objectivity of the annual reports, as well as making recommendations for rectifying shortcomings in the respective systems;
 - 2.1.3. supervising the audit process for the Company's annual reports. Upon commencing and during the audit of the Company's annual report the Committee verifies and monitors whether the sworn auditor appointed by the Company follows the independence and objectivity requirements stipulated in the Law on Audit Services, prepares for the aforementioned audit as per Article 6 of the Regulation, and complies with prohibitions on activities unrelated to the audit as stipulated in Article 5 of the Regulation;
 - 2.1.4. The Committee supports the Supervisory Board in performing supervisory responsibilities of the Company regarding:

- 2.1.4.1. internal control and risk management;
- 2.1.4.2. ensuring compliance with contracts, laws and regulations;
- 2.1.4.3. provide oversight to the activities of the internal audit function.

3. TASKS OF THE AUDIT COMMITTEE

3.1. PREPARATION OF ANNUAL REPORTS AND ANNEXES TO ANNUAL REPORTS

- 3.1.1. Supervise the process of preparing the Company's annual reports and making recommendations to the Supervisory Board on the veracity of the annual reports and ensuring objectivity, incl.:
 - 3.1.1.1. Evaluating significant matters related to the organisation of accounting and preparation of annual reports, such as, complex and unusual transactions; evaluate areas connected with significant judgments and assumptions, incl. assumptions related to the continuity of the Company's operations and significant changes in the audit;
 - 3.1.1.2. Evaluating amendments to laws and regulations/standards regarding preparation of annual reports and their impact on the Company's annual reports;
 - 3.1.1.3. In co-operation with the Board, the Supervisory Board and the auditor, assess the results of audited annual reports, and any difficulties encountered during the audit process;
 - 3.1.1.4. Evaluate the Company's annual reports to ensure the reports are complete, in line with information available to the Committee members, and truthfully reflect applicable accounting/annual report preparation principals, as well as evaluate the compliance of the annual reports with laws, regulations and standards pertaining to the preparation of annual reports.
 - 3.1.1.5. Evaluate the completeness and accuracy of the annual report.
 - 3.1.1.6. In co-operation with the Board, the Supervisory Board and the external auditor assess all issues which, according to laws, regulations and generally accepted auditing standards, the Committee should be informed about.

3.2. RISK MANAGEMENT

- 3.2.1. Monitor and evaluate the effectiveness of the Company's risk management process and the Company's existing policy for mitigating identified risks and making recommendations for the rectification of shortcomings in the respective system, incl.:
 - 3.2.1.1. supporting the allocation of adequate resources for risk management processes;
 - 3.2.1.2. building a common understanding between the Supervisory Board and the Board regarding acceptable risk levels, as well as monitoring the level of operational risk;
 - 3.2.1.3. evaluating the adequacy and suitability of the risk management system;
 - 3.2.1.4. supervising the activities of the Board and the Supervisory Board in relation to risk management processes;
 - 3.2.1.5. promoting an appropriate risk management culture in the Company.

3.3. THE INTERNAL CONTROL SYSTEM

- 3.3.1. Supervise the operational effectiveness of the Company's internal control and internal audit systems, incl.:
 - 3.3.1.1. Making recommendations for rectifying shortcomings in the respective system.
 - 3.3.1.2. **Supervising** the scope of work of the Company's internal audit function and internal auditor pertaining the assessment of the effectiveness of the internal control, risk management and internal audit systems; obtain and examine the reports thereto (incl. comments from the Board and Supervisory Board).
- 3.3.2. Evaluate the effectiveness of the Company's internal control mechanisms, including those connected with the preparation of annual reports, in order to prevent or minimise identified risks, and establish whether:
 - 3.3.2.1. risks of fraud and accounting errors are being detected and prevented;
 - 3.3.2.2. truthfulness, accuracy and completeness in accounting is ensured;
 - 3.3.2.3. truthful and reliable financial information is prepared in a timely manner;
 - 3.3.2.4. the operational effectiveness of the system is adequate;
 - 3.3.2.5. the Company's internal policies and external laws and regulations pertaining accounting and the preparation of annual reports are being followed.

3.4. INTERNAL AUDIT FUNCTION

- 3.4.1. Ensure the internal audit function has unimpeded access by to all information about the Company, its operations and staff, as required for performing internal audit.
- 3.4.2. Participate in the process of selecting the head of the internal audit, incl. appointment and dismissal from the position.
- 3.4.3. Regularly review, update and provide recommendations to the Supervisory Board for approval of the charter of the internal audit, operations, resources and organisational structure thereof.
- 3.4.4. Evaluate and approve the annual internal audit plan and all significant changes thereto, incl. evaluation of its compliance with the Company's strategy and objectives.
- 3.4.5. Ensure there are no unjustified restrictions on the scope of the work of the internal audit and that the head of the internal audit performs his or her duties objectively (free of influence or interference from any third parties).
- 3.4.6. At least once per year, evaluate the performance of the head of the internal audit function and approve remuneration for the head of the internal audit.
- 3.4.7. Evaluate the effectiveness of the internal audit, incl., the compliance of their activities with the International Standards Professional Practice of Internal Auditing, as stipulated by the Internal Auditors' Institution.
- 3.4.8. Organise regular individual meetings with the head of the internal audit (without presence of Board members or other Company employees) to discuss matters which, in the opinion of the Chair of the Committee or the head internal audit should be discussed individually.

3.5. MONITORING OF AUDITORS

- 3.5.1. Supervise the process of auditing the Company's annual report and inform the Supervisory Board on the sworn auditor's conclusions regarding the audit of the annual report and provide an opinion on how the audit has facilitated the veracity and objectivity of the Company's annual report, as well as inform about the Committee's role in this process.
- 3.5.2. Establish a procedure for selection of external auditor for the Company, provide recommendations to the Company shareholders' meeting regarding the appointment of the external auditor and supervise the compliance of the external Company auditor with the independence and objectivity requirements stipulated in laws and regulations.
- 3.5.3. Discuss the approach, scope and cost of audit services before commencement of the audit,
- 3.5.4. Supervise the performance of the external auditor and the rotation process, as well as provide justified proposals to the Supervisory Board in relation to the choice of the external auditor and the appointment or revocation thereof.
- 3.5.5. Examine reports and other statements prepared by the auditor.
- 3.5.6. Assess and approve additional services outside the scope of the audit provided by the auditor, and evaluate the compensation paid by the Company to the auditor for providing such services. The Committee shall not approve services not related to the audit and which could undermine the auditor's independence. The Committee must ensure that the detailed break-down of the total amount of compensation paid to the auditor is annexed to the annual report and includes following categories of services provided: mandatory audit (review) of the annual accounts, performance of other auditing tasks, consultations on tax issues, rendering of other services unrelated to audit.
- 3.5.7. Organise regular individual meetings with the auditor (without the presence of the Board or Supervisory Board) to discuss any issues which the Committee or the auditor believe should be discussed individually.

3.6. MONITORING COMPLIANCE

- 3.6.1. Evaluate the effectiveness of the systems ensuring compliance with laws and regulations and supervise the involvement and actions of the management in identifying and rectifying any non-compliance.
- 3.6.2. Evaluate the findings of the internal auditor or external auditor in relation to compliance.
- 3.6.3. Evaluate the process on how Company staff are informed about the Company's Code of Ethics, as well as review the process of monitoring compliance with the Code of Ethics.
- 3.6.4. Request regular updates from the Board, the Company auditor and legal advisors regarding compliance including matters in relation to the performance of the risk and internal control system. Report to the Supervisory Board on the Company's compliance matters, including the effectiveness of the internal control system and the risk management system.

3.7. REPORTING PROCESS

- 3.7.1. Once per year, prepare an annual report for the Supervisory Board on the Committee's work (incl. performance of tasks entrusted to the Committee),
- 3.7.2. Take minutes of Committee meetings and monitor the performance of the Committee's decisions. Minutes must be freely available to all members of the Supervisory Board.
- 3.7.3. Ensure the communication and cooperation between the internal audit function, external auditor, the Board and the Supervisory Board. Following each Committee meeting, at the next regular Supervisory Board meeting the Chair of the Committee informs the members of the Supervisory Board about the results of the Committee meeting and its recommendations.
- 3.7.4. Perform other reporting duties in accordance with laws and regulations and other tasks stipulated in the Charter.

3.8. OTHER TASKS

- 3.8.1. Once per year the Committee conducts a self-assessment to review and evaluate whether the Committee has performed the tasks stipulated in the Charter. The self-assessment is co-ordinated by the Chair of the Committee.
- 3.8.2. Perform other tasks pursuant to the Charter and the Supervisory Board decisions.
- 3.8.3. Initiate and supervise particular internal inspections or investigations required for the Committee to perform its tasks.

4. POWERS AND RIGHTS OF THE COMMITTEE

4.1. The Committee operates in accordance with the Charter, decisions of the Supervisory Board and Company shareholders' meeting, FITL (Financial Instrument Market Law), the Regulation, as well as other laws and regulations binding to the Company.

4.2. The Committee has the authority:

- 4.2.1. to summon experts of certain sectors if required for the fulfilment of the Committee's tasks or Supervisory Board decisions.
- 4.2.2. to request and receive from the Board, the Company external auditor or the internal audit information and documents required for the Committee to perform its tasks, as far as the requested information is directly related to the performance of the Committee's tasks;
- 4.2.3. to participate in Company shareholders meetings;
- 4.2.4. to provide opinion and report to the Company shareholders' meeting and the Supervisory Board on the matters within the competence of the Committee;
- 4.2.5. to independently take decisions regarding the tasks of the Committee, including decisions in the event of split opinions between the Board, the Supervisory Board and the external auditor in relation to preparation of the annual report;
- 4.2.6. to perform any type of inspection or investigation on matters which directly pertain to the Committee's tasks;
- 4.2.7. to hold meetings with the Board, the Supervisory Board, Company employees, the internal audit unit, the external auditor or other external consultants if the Committee deems this necessary, as well as to request that such representatives participate in Company meetings;
- 4.2.8. to invite independent consultants required for the effective functioning of the Committee;
- 4.2.9. to delegate Committee members to participate in meetings of other committees established by the Supervisory Board.

5. ORGANISATION OF THE COMMITTEE'S WORK AND DECISION-MAKING PROCEDURE

5.1. The meetings of the Committee are convened as required, or at least once per quarter. All Committee members are obliged to attend all Committee meetings either in person or via teleconferencing/videoconferencing means unless there are objective reasons why they cannot attend. A quorum for the Committee meeting comprises the Chair of the Committee and at least one other Committee member. If the Chair of the Committee is absent, he or she is substituted by another Committee member, as instructed by the Chair.

5.2. Each Committee member, as well as the Supervisory Board and the shareholders' meeting, have the right to request the convening of a meeting, justifying the necessity and purpose for such meeting.

- 5.3. Only Committee members have the right to attend Committee meetings. The Committee has the right to invite representatives from the Board or the Supervisory Board, the head of the internal audit, the external auditor or other representatives to attend Committee meetings, as well as to request that they prepare information for the meeting.
- 5.4. Notification on the place, time and date of each Committee meeting shall be sent together with the agenda and prepared materials to all Committee members and invitees at least 5 (five) days before the current Committee meeting. Materials are prepared by the Chair of the Committee, and they are sent to all the Committee members by the Company's corporate secretary.
- 5.5. The Company auditor must be informed about Committee meetings at which the results of the auditor's performance will be discussed at least 5 (five) days before the current Committee meeting.
- 5.6. Meetings are planned by the Company's corporate secretary based on instructions from the Chair of the Committee.
- 5.7. The Committee shall adopt decisions by a unanimous vote of all members present or with at least two Committee members voting in favour.
- 5.8. Decisions adopted by the Committee in relation to the tasks of the Committee, as stipulated in the Charter, are binding to the Supervisory Board, and the Supervisory Board must perform and follow the Committee's decisions. The Supervisory Board may decline to perform or follow the Committee's decision, in which case the reasons and justification for such refusal must be documented in the minutes of the Supervisory Board meeting.
- 5.9. The minutes of the Committee meetings, including a list of attendees of the Committee meeting, shall be prepared by the Company's corporate secretary within 3 (three) days of the Committee meeting. Committee members must review, amend (if required) and approve the minutes within 2 (two) workdays. Minutes of the Committee meetings are kept by the Company's corporate secretary and are available to all Supervisory Board members and are published in the Wiki" section of the Company's intranet.
- 5.10. For the purpose of the exchange of information and promoting co-operation, the Chair of the Committee may prepare and send the minutes to other bodies of the Company (for example, the internal audit unit, the Board, the Supervisory Board and the auditor). The Chair may decide whether a full copy of the minutes or an extract (i.e., excluding confidential information) should be forwarded thereto. In deciding which parties to send the minutes to, it is advisable to assess whether the information in the minutes is regarded as restricted access information for the specific persons at the given time.

6. COMPOSITION OF THE COMMITTEE

- 6.1. The Committee shall consist of 3 (three) Supervisory Board members, of whom at least 2 (two) must comply with the independence and reputation criteria and all set requirements of knowledge, experience and skills. All Committee members must comply with the requirements set out in FITL Article 55.⁶
- 6.2. A Committee member shall be regarded as independent if none of the conditions set out in FITL Article 55⁶ section three apply to him or her.
- 6.3. A Committee member shall be regarded as having an unblemished reputation if none of the conditions set out in FITL Article 55⁶ section four apply to him or her.
- 6.4. A majority of Committee members must have knowledge in the Company's area of operations. At least 1 (one) of the Committee members must have a degree in economics, management or finance and at least 3 (three) years of relevant professional experience in preparing or auditing reports or being a sworn auditor.
- 6.5. Committee members may not be employees of the Company.
- 6.6. The Supervisory Board (considering the initial selection results) and a Company shareholder or a group of shareholders holding not less than 5 (five) percent of the voting shares of the Company shall have the right to recommend candidates for the Committee.

- 6.7. The Company shareholders' meeting shall approve the composition of the Risk and audit committee for period of 3 (three) years.
- 6.8. A Committee member may at any time be revoked from his or her position by a decision of the Company shareholders' meeting. Committee members may resign from their position at any time by so informing the Company in writing.
- 6.9. Committee members are obliged to obtain and improve their knowledge in relation to the Committee's area of responsibility.
- 6.10. The Chair of the Committee may, during his/her absence, temporarily delegate his or her responsibilities to another Committee member by issuing instructions in writing.

7. TRAINING AND LIFELONG EDUCATION

- 7.1. Committee members are obliged to maintain and improve their professional knowledge necessary for effective performance of the tasks of the Committee's. Committee members are obliged to maintain and update their knowledge of effective laws and regulations and professional standards, utilising the following resources:
- 7.1.1. specialised Company internal training;
 - 7.1.2. conferences and seminars;
 - 7.1.3. training programmes and courses;
 - 7.1.4. participating in meetings of other Supervisory Board committees.

8. REMUNERATION OF COMMITTEE MEMBERS

- 8.1. Committee members have the right to receive compensation as stipulated by the Company shareholders' meeting pursuant the Company Remuneration Policy.

9. CONFLICT OF INTEREST

- 9.1. Each Committee member is personally responsible for informing the Chair of the Committee in writing and in a timely manner of any existing or possible conflict of interest in relation to specific matters which are reviewed at the Committee meetings or are related to the performance of the Committee's tasks.
- 9.2. In the event of receiving such notice, the Chair of the Committee shall decide on further action in relation to the specific Committee member, evaluating the significance and impact of each specific case.
- 9.3. If a possible or existing conflict of interest concerns the Chair of the Committee, the Chair shall without delay inform the Supervisory Board of the fact in writing, and the Supervisory Board shall decide on further action regarding the conflict of interest.

10. FINAL PROVISIONS

- 10.1. The shareholders' meeting of *AS DelfinGroup* shall establish the Committee and authorise the Supervisory Board to co-operate with the Committee and perform supervision between Company shareholders' meetings, such as, approval of the Charter. The Committee is directly subordinated to the Company shareholders' meeting.
- 10.2. The Charter defines the Committee's role, composition, tasks, rights, responsibilities, organisation of work and other key operational principles.
- 10.3. The Charter of the Committee and all changes therein are approved by the Supervisory Board, and they take effect as of the date of approval.
- 10.4. The Charter is binding to the members of the Supervisory Board and the Committee except the cases where it contravenes internal regulations adopted by the Supervisory Board, and the company Shareholders' meeting, FITL, the Regulation and/or other applicable laws and regulations.
- 10.5. The resources required for the operation of the Committee are provided by *AS DelfinGroup*:

10.5.1. The services of a secretary are available to the Committee to ensure its effective operation. The secretarial duties include (but are not limited to) organising Committee meetings, preparing the agenda for meetings, coordinating submission of required materials, drafting and sending out minutes.

10.5.2. The Committee has the right to invite independent consultants. The amount of remuneration for such external consultants is proposed by the Committee and approved by the Supervisory Board.

10.6. The Charter shall be reviewed at least once per year by the Chair of the Committee, who shall make recommendations regarding any amendments thereto.

10.7. The latest version of the Charter and the composition of the Committee shall be published on the Company's website.

Approved by: Supervisory Board of AS DelfinGroup

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