APPROVED
Supervisory board of LLC ‘Rīgas ūdens’
at its meeting of 18 June 2024
Minutes No. 22.4.5/2024/8

# POLICY ON PREVENTION OF CONFLICT OF INTEREST AND CORRUPTION RISK

## Riga, 2024

## Version 2.1

# CONTENTS

# I. GENERAL PROVISIONS

1. The purpose of the Policy on Prevention of Conflict of Interest and Corruption Risk of LLC ‘Rīgas ūdens’ (the ‘**Company**’) (the ‘**Policy**’) is to establish uniform guidelines for the prevention of conflict of interest and the establishment, improvement and maintenance of an internal control system for the prevention of corruption risk.
2. In order to ensure the prevention of conflicts of interest, the Company applies the provisions of the Law on Prevention of Conflict of Interest in the Activities of Public Officials and the guidelines established by the Corruption Prevention and Combating Bureau, as well as the requirements established by the Riga City Council on 21.08.2020 by Internal Regulations No. 4 ‘Procedure for the management of shares and companies owned by Riga City Council’.
3. The Company complies with the principle of prevention of conflict of interest and corruption risks as part of its corporate governance system. The Company defines and effectively implements measures to prevent corruption and conflicts of interest, which are applicable to all employees of the Company.
4. In order to promote lawful and honest actions of the Employees in the interests of the Company, to ensure a common understanding of the basic principles of professional ethics in relations and interactions with customers, business partners and third parties, as well as to define the basic principles of communication between Employees and colleagues and to prevent the influence of any personal interest of Employees in the performance of their duties, the Company has compiled provisions for conduct in a Code of Ethics approved by the Supervisory Board.
5. The Policy is binding to all the Employees, including the Management Board, and the Supervisory Board of the Company.
6. Definitions of terms:
   - 6.1. *employee* - a natural person who, on the basis of an employment contract, performs certain work under the management of the Company for an agreed remuneration;
   - 6.2. *business partner* - a natural or legal person or an association of natural and legal persons established on the basis of a contract, who, in accordance with the provisions of laws and regulations, has a declarable business relationship with a public official;
   - 6.3. *conflict of interest* - a situation in which an employee of the Company, in the performance of his or her duties, is required to make or participate in a decision or take other action related to the employee's position that may affect the personal or pecuniary interests of the employee, his or her related persons or business partners;

6.4. *gift* - any benefit, pecuniary or otherwise (including services, assignment, transfer, release, waiver, or other action resulting in a benefit), of which an employee, member of the Management Board or the Supervisory Board is a direct or indirect beneficiary;

6.5. *Law* - the Law on Prevention of Conflict of Interest in Activities of Public Officials

6.6. *corruption risk* - the likelihood that an employee of the Company will, intentionally or unintentionally, act for his or her own or another person's material interests, obtaining for himself or herself or securing for others a benefit not due to him or her and causing damage or loss to the Company;

6.7. *anti-corruption measures* - a set of measures to reduce and/or eliminate the risk of corruption;

6.8. *public official* - an employee or official of the Company who has the status of a public official under the Law;

6.9. *guidelines* - the guidelines of the Corruption Prevention and Combating Bureau of 31 January 2018 "Guidelines on the basic requirements of the internal control system for preventing the risk of corruption and conflict of interest in a public institution";

6.10. *other terms used in this Policy* shall be interpreted in accordance with the way they are defined in the Law on Prevention of Conflict of Interest in the Activities of Public Officials and Cabinet Regulation No. 630 of 17 October 2017 "Regulations Regarding the Basic Requirements for an Internal Control System for the Prevention of Corruption and Conflict of Interest in an Institution of a Public Person" and the KNAB Guidelines issued on their basis.

## II. INTERNAL CONTROL SYSTEM FOR PREVENTION OF CONFLICT OF INTEREST AND CORRUPTION

7. The Company shall establish a system of internal control comprising a set of risk management, control and governance measures at all organisational levels of the Company to achieve the following objectives:

7.1. create a control environment that prevents breaches of the norms set out in the Law on Prevention of Conflict of Interest in the Activities of Public Officials and corrupt practices;

7.2. identify potential corruption risks that could affect the achievement of the Company's objectives and targets or cause other damage (loss of financial resources, deterioration of reputation, foster negative public perception of the Company, negative impact on employees, etc.);

7.3. put in place appropriate measures to reduce or eliminate corruption risks;

7.4. review the corruption risks identified and assess the effectiveness and efficiency of the measures taken to mitigate or prevent corruption risks;

7.5. promote the proper use of staff, financial and material resources;
7.6. monitor the implementation of measures to reduce or eliminate corruption risks.

8. The Supervisory Board of the Company approves the Policy on Prevention of Conflict of Interest and Corruption Risk, monitors the implementation of the Policy, and monitors and reviews the adequacy and effectiveness of the Conflict of Interest Prevention Control System.
9. The establishment and maintenance of the internal control system for the prevention of conflicts of interest and corruption is the responsibility of the Management Board, which is responsible for the development and effective operation of the system, for determining and implementing the measures taken to prevent the risk of corruption and for monitoring their implementation.
10. The Company integrates its obligations to prevent conflicts of interest and corruption risks into other policies and procedures of its corporate governance system and effectively implements them in practice.

## III. PREVENTING CONFLICTS OF INTEREST

11. To reduce financial and reputation risks, the Company shall define the indications of a conflict of interest and establish procedures for the prevention and management of conflicts of interest
12. Employees of the Company who are public officials, members of the Management Board and the Supervisory Board shall comply with the requirements of the Law on Prevention of Conflict of Interest in the Activities of Public Officials.
13. The Employee shall refuse to accept benefits which are not considered as gifts within the meaning of the Law on Prevention of Conflict of Interest in the Activities of Public Officials (the ‘Law’) (flowers, souvenirs, books, representational items, etc.), if their acceptance creates or may create an impression that the performance of duties is thereby affected or may raise doubts about the objectivity and neutrality of the Employee's actions. If the Employee is not sure whether the gift is covered by the Law or whether it may be accepted, he or she shall consult the Head of Unit or contact the Ethics Committee or refuse to accept the gift.
14. Employees of the Company who are public officials, members of the Supervisory Board and members of the Management Board shall refrain from combining positions prohibited by laws and regulations, as well as where it may give rise to suspicion of possible, apparent or actual conflicts of interest.
15. A public official shall be prohibited from using his or her official position to influence other public officials in any way when they prepare or issue administrative acts or perform supervisory, control, investigative or punitive

functions with respect to or in any way in connection with that public official, his or her related person, the Business Partners.

16. Employees of the Company, members of the Supervisory Board and members of the Management Board shall make decisions solely in the interests of the Company, in accordance with the procedure established by external laws and regulations and by the Capital Company, in accordance with the terms of their contracts of employment, or in accordance with the authorization agreements of the Management Board or the Supervisory Board.
17. Members of the Supervisory Board or the Management Board shall not participate in the adoption of decisions on matters where the interests of the Company conflict with the interests of the Supervisory Board, the Management Board or persons related to them. In such situations, a member of the Supervisory Board and of the Management Board, if he or she is at risk of a conflict of interest in the decision, shall immediately inform the Supervisory Board or the representative of the Shareholder, as appropriate, and shall withdraw from the decision or from participation in the decision.
18. The Company does not deal with officials of the Company (other than transactions arising under an employment contract and a power of attorney agreement). The Company keeps records of related parties and transactions with them and discloses information about the transactions in the financial statements of the Company.
19. Employees shall not use the Company's resources for private or political interests, personal gain or the benefit of others.
20. The Company shall establish efficient and effective procedures and control mechanisms for the use of the Company's vehicles.

## IV. PREVENTION OF CORRUPTION RISKS

21. In order to reduce the Company's financial and reputational risks, the Company shall define the characteristics to mitigate and eliminate potential corruption risks and establish procedures to manage them by developing a procedure to manage anti-corruption activities.
22. The Company shall ensure the management of corruption risks by taking measures to regularly identify and assess corruption risks, plan actions to mitigate or prevent corruption risks, ensure the review of mitigation or prevention measures and evaluate the results of mitigation or prevention measures.
23. The Company shall regularly identify potential corruption risks by assessing the Company's processes, identifying its functions (tasks), areas of activity and processes that are exposed to corruption risks, as well as assessing the Company's positions to identify positions exposed to corruption risks.

24. Following an assessment of the areas, processes and functions (tasks) of the activity and the positions exposed to the risk of corruption, an Anti-Corruption Action Plan is developed, which sets out effective measures to mitigate or eliminate the risk.

## V. FINAL PROVISIONS

25. Each Employee shall be obliged to report, in accordance with the procedures established by the Company's internal laws and regulations, any incident that could pose a risk of violation of the Policy or laws and regulations on conflicts of interest or corruption.
26. The Company shall provide training to employees on corruption and conflict of interest issues in accordance with the procedures established by the Company.
27. To ensure the effective use of the Company’s policies, the Company’s Management Board and Supervisory Board continuously supervise their implementation. The Management Board shall review the Policy as necessary, but at least once a year, and initiate changes where necessary.
28. The Company ensures that its employees are familiarised the Policy following the procedure set in the Capital Company. The Policy is available via the Company’s management information system and on its website.

## VI. REVISION STATUS

| **Version number** | **Date of revision** | **Result of the revision** |
|---|---|---|
| V.2.0 | 18.06.2024. | Approved version with technical corrections V.2.1 |
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