CLEANR GRUPA

RISK MANAGEMENT POLICY OF AS CLEANR GRUPA

1. INTRODUCTION

1.1. AS CleanR Grupa (hereinafter CleanR Grupa, the Group) operates the leading environmental services companies in Latvia, which operate in the fields of waste management, premises, road, and urban environment maintenance, as well as property management.

1.2. CleanR Grupa is aware that our core business operations entail certain risks and opportunities. That creates a need for risk management through which risks and opportunities are identified for business processes, business units, and affiliated companies. Efficient and farsighted risk management gives a competitive edge and facilitates right business decisions.

2. POLICY SCOPE

The Risk Management Policy of AS CleanR Grupa (hereinafter the Policy) applies to all the companies directly or indirectly owned by CleanR Grupa where CleanR Grupa is a majority shareholder and exercises full control.

3. AIM

The aim of this Policy is to determine the principles and risk types underpinning the CleanR Grupa risk management process to ensure continuous development of the Group's companies and achievement of their goals, to prevent potential loss of or damage to reputation by taking care of employee safety, protecting the environment, and mitigating risks that may lead to financial losses.

4. RISK MANAGEMENT PRINCIPLES

4.1. CleanR Grupa has defined risk management principles to ensure effective risk identification, assessment, and comprehensive risk management:

- Integration: risk management is integrated into all levels and processes of the organization. Risk management is an integral part of strategic planning, financial management, and other operational activities. Integrated risk management means that risk management is an integral part of everyday business and company culture.
- Identification: the Group identifies and considers all potential risks that may affect its operations. The Group identifies both internal and external risks arising out of various factors.
- Assessment: each risk is assessed according to its likelihood and potential impact on the Group. Risk assessment allows the Group to prepare appropriate solutions to mitigate and prevent risks.
- Management: the Group works out and implements activities to prevent risks or mitigate their impact. By devising an appropriate action plan, the Group makes sure its activities are in line with the set goals.
- Improvement: risk management is a continuous process whereby risks are constantly monitored and assessed. That helps to identify new risks, assess the efficiency of the existing risk prevention

and mitigation activities, and make the necessary improvements to the risk management processes.

- **Responsibility**: risk management is the collective responsibility of all Group employees. That means that all employees are involved in risk identification, prevention, and management. Furthermore, the Group's Board is responsible for the efficiency of the risk management processes and makes sure that risk management is an integral part of company culture.
- **Agility**: we are able to adapt to changing circumstances, identify new risks, and act accordingly.
- **Communication**: risks management involves efficient communication and cooperation with all parties involved. CleanR Grupa makes sure the relevant risk-related information is effectively passed on to the people in charge.
- **Education**: to manage risks efficiently, CleanR Grupa informs and trains its staff in the risks management processes and their significance within the Group. By educating and training our staff, we increase risk awareness and risk management culture throughout the company.

5. RISK TYPES

5.1. The Group regularly examines the potential risks and their types arising from our commercial activity. Risk assessment includes risk identification within the production, logistics, administrative, and other business processes.

5.2. The identified risks are divided in the following groups:

- **Strategic risks**: risk associated with the achievement of the company's goals and strategic decision-making.
- **Operational risks**: risks arising out of deficient internal processes, systems, or employee actions. These risks are associated with the daily activities, including execution of processes, resource management, use of systems.
- **Financial risks**: risks having adverse effect on the company's finances or performance. These risks may arise out of various factors, for example, a fluctuating market, liquidity issues, or any other financial aspects that may lead to expenses or losses.
- **Compliance risks**: risks associated with the failure to meet the requirements of the relevant laws, regulations, industry standards, or internal policies and processes. These risks arise from the failure to comply with the relevant laws and regulations, which may result in fines, legal proceedings, loss of reputation, and operational disruptions.
- **Reputational risks**: risks associated with the loss of or damage to the company's reputation. They include situations or events that may negatively affect the company's trustworthiness, image, and relationships with the stakeholders, including customers, owners, investors, employees, and the public.
- **Information security risks**: risks associated with the damage or harm arising from the loss of confidentiality of the company or employee information. It includes situations or events that may negatively affect the security of information systems and data.

- **Corporate governance risks**: risks associated with the Group's ability to manage its operations, resources, and relationships with the stakeholders effectively and responsibly. These risks include events that may negatively affect the corporate governance processes, decision-making, responsibility, and provision of feedback.
- **Technological risks**: risks associated with the use of technology and its impact on the Group, its affiliates, and their employees. They include events that may negatively affect the technological infrastructure, operational continuity, or functioning of the information systems.
- **External risks**: risks that arise externally and may negatively affect the company's operations and performance. These risks include economic fluctuations, wars, pandemics, climate change, and other essential aspects arising from the events outside the company.

5.3. The aforementioned risks also invariably include the CleanR Grupa sustainability risks, i.e., the risks specifically associated with the Group's sustainability goals in the environmental, social (concerning employees, customers, and the public), and corporate governance areas.

6. RESPONSIBILITY AND DUTIES

6.1. The CleanR Grupa Board makes sure that a risk management system is devised and implemented at a Group level, whereas the boards of each Group company oversee efficient implementation and enforcement of the risk management system.

6.2. The boards of the CleanR Grupa subsidiary companies assign owners to specific risks or risk types, who make sure that all the planned risk management activities are implemented efficiently. In case a certain risk or risk type has not been assigned an owner, the boards of specific companies take responsibility for that.