



Stock Company

Baltic RE Group

Corporate Governance Report for 2016

Riga, 2017

INTRODUCTION

SC Baltic RE Group (hereinafter – Company) Corporate governance report for 2016 is prepared based on Financial Instruments Market Law 56² article 3rd part requirements and based on SC NASDAQ OMX Riga published Principles of Corporate Governance and recommendations on their implementation, part 11 and 12, issued in year 2010.

The report is prepared by the board of SC Baltic RE Group and reviewed by the council of the SC Baltic RE Group.

The principles of Corporate Governance are suitable for business operations of SC Baltic RE Group and most of them were complied with in 2016.

This Report is published on the Nasdaq Riga.

Giovanni Dalla Zonca

Marco Chioatto

Dina Abaja

Riga, April 20, 2017

INTERNAL CONTROL AND RISK MANAGEMENT

The purpose of internal control and risk management is to ensure efficient and successful work of the Issuer, the truthfulness of the information disclosed and conformity thereof to the relevant regulatory acts and business principles. Internal control helps the Board to identify the shortcomings and risks in the management of the Issuer as well as facilitates that the Council's task – to supervise the work of the Board – is fulfilled efficiently.

1. Principles of the Issuer's internal and external control

To ensure successful work of the Issuer, it shall be necessary to plan its regular control and to determine the procedure of internal and external (audit) control.

1.1. To ensure successful operation, the Issuer shall control its work on a regular basis and define the procedure of internal control.

SC Baltic RE Group operates in compliance with this principle

1.2. The objective of risk management is to ensure that the risk connected with the commercial activity of the Issuer is identified and supervised. To ensure efficient risk management, it is necessary to define the basic principles of risk management. It is recommended to characterize the most essential potential and existing risks in relation to the business of the Issuer.

SC Baltic RE Group operates in compliance with this principle

1.3. Auditors must be granted access to the information required for the fulfilment of the auditor's tasks and the opportunity to attend council and board meetings at which financial and other matters are dealt with.

SC Baltic RE Group operates in compliance with this principle

1.4. Auditors have to be independent in their work and their objective is to provide the Issuer with independent and objective auditing and consultation services in order to facilitate the efficiency of the Issuer's business and to provide support in achieving the objectives set for the Issuer's management by offering a systematic approach for the assessment and improvement of risk management and control process.

SC Baltic RE Group operates in compliance with this principle

1.5. It shall be recommended to carry out an independent internal control at least once a year in order to assess the work of the Issuer, including its conformity to the procedures approved by the Issuer.

SC Baltic RE Group operates in compliance with this principle

1.6. When approving an auditor, it is preferable that the term of office of one auditor is not the same as the term of office of the Board.

SC Baltic RE Group operates in compliance with this principle

2. Audit Committee

The Audit Committee shall be established by a resolution of the Issuer's shareholders' meeting, and its operations and scope of responsibilities shall be guided by the legislation.

2.1. The functions and responsibility of the Audit Committee should be specified in the regulation of the committee or in a comparable document.

SC Baltic RE Group operates in compliance with this principle

2.2. To ensure efficient functioning of the Audit Committee, it is recommended that at least three of its members have adequate knowledge in accounting and financial reporting, because issues related to the Issuer's financial reports and control are one of the focuses of the Audit Committee's operations.

SC Baltic RE Group operates in compliance with this principle

2.3. All the Audit Committee members must have access to the information on the accounting principles practiced by the Issuer. Board informs the Audit Committee on the approaches used when evaluating significant and unusual transactions, where different methods can be applied, and ensures that the Audit Committee has access to all information that has been specified in the legislation.

SC Baltic RE Group operates in compliance with this principle

2.4. The Issuer must ensure the possibility for the Audit Committee to gather information that is necessary for its operations from Issuer's officials, board members and staff as well as to retain rights to conduct independent investigation in order to identify, within its scope, any violations in the Issuer's activities.

SC Baltic RE Group operates in compliance with this principle

2.5. Within its scope, the Audit Committee shall adopt resolutions, and shall be accountable to the shareholders' meetings for its operations.

SC Baltic RE Group operates in compliance with this principle