

Code	JP01	Enefit Green <b>Principles of organisation of the management of the Enefit Green Group</b>	Owner	<i>EG Chairman of the Board</i>
Valid	00.00.2021		Approved by	<i>Board of Enefit Green AS</i>

## Principles of organisation of the management of the Enefit Green Group

### 1. Purpose

The Enefit Green group of companies comprises of the Enefit Green Aktsiaselts (“**Enefit Green**”) and its subsidiary companies (“**Group**”).

The present principles of organisation of the management of the Enefit Green Group (“management principles”) are the framework for the general management of the Group and its functioning, as well as the principles regulating the behaviour of managers and employees. These together with the Group-wide internal procedures provide guidelines and clarity on how the Group is managed. In the management principles, we describe the management bodies and culture of the Group, principal internal procedures and guidelines, principles of behaviour, and our values.

Enefit Green as a corporate entity publicly listed on the NASDAQ Tallinn Stock Exchange applies the best management practices. In addition to the Commercial Code, corporate governance recommendations approved by the Estonian Financial Supervisory Authority as well as rules and regulations established for stock companies are used for guidance. The management principles are also based on the strategy and values of the Group, as well as the expectations of the shareholders.

### 2. Overview of the Group

Enefit Green with its subsidiaries is the largest producer of wind energy in the Baltic States and the producer with the most diversified production portfolio of renewable energy in the Baltic-Polish-Finnish region, producing electricity and heat from wind, water, sunlight, biomass, and mixed municipal waste. The domestic markets of the Enefit Green Group are presented in Appendix 1.

The aim of the Group is to profitably grow the production of renewable energy and realise the investment opportunities of renewable energy on the domestic markets.

The majority shareholder of Enefit Green is Eesti Energia AS, and thus the Enefit Green Group in turn belongs to the Eesti Energia group of companies.

The minority interest of Enefit Green is publicly listed on the NASDAQ Tallinn Stock Exchange.

### 3. Ambition, strategic goals, and values

#### Ambition

Our ambition is to develop renewable energy and to be the fastest growing renewable energy company in the region. We offer clients environmentally friendly energy and help to make the world cleaner.

#### Strategic goals

Our aim is to develop and manage the Enefit Green Group in such a way that we would set an example for other companies in terms of strategic clarity, good management practices, economic results, and cooperation.

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The Strategic Action Plan of the Group is compiled and the strategic goals of the Group are set for a period of the following five years. These are updated annually (link).

Key performance indicators (“KPI”) have been added to the strategic aims to improve the clarity and evaluation of the aims. KPIs allow us to understand if we are on the right track for achieving our aims.

## Values

Values that we adhere to in our daily work:

- **Beneficial for the client** – we can be successful only if we create value for the client;
- **Increasing value** – above all, we focus on activities that create greater value;
- **Difficult made simple** – we convert the complicated into clear and understandable;
- **Safety first** – we always take occupational safety, health, and the environment into consideration, as our activities are related to the risks to the environment and people’s health;
- **It depends on me** – my energy, will, and sense of responsibility ensure the achievement of our common goals.

## 4. Management bodies of the Group

For effective management, we consider it important that the structure of the Group is clear and logical – that it is based on the aims and needs of the organisation and takes into consideration the developments of the business environment.

The management bodies of the parent company of the Group – Enefit Green – are the General Meeting, the Council, and the Board.

The management of the Group is first and foremost based on the expectations of the shareholders, ambitions of the Group, strategic goals, values, and the documents that regulate the activities of the Group and its subsidiaries or associated companies.

### General Meeting

The General Meeting of the shareholders is the highest management body of Enefit Green. The scheduled General Meeting takes place once a year, within six months from the end of the fiscal year of the Group, at a time and place established by the Board.

The competence of the General Meeting, the procedure for calling the General Meeting, and the procedure for making decisions are set out in the Articles of Association of Enefit Green, as well as in legislation.

### The Council

The Council of Enefit Green is a management body that plans Enefit Green’s activities and organises management, as well as supervises the activities of the Board. The Council reports to the shareholders regarding the supervision of the Board.

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The Council of Enefit Green has 5–7 members who are elected by the General Meeting. At least half of the Council members are independent (as defined in the corporate governance recommendations). If the Council has an odd number of members, there may be one less independent member than dependent members.

The work of the Council is managed by the Chairman of the Council who is elected by the Council members. The requirements and expectations set for the Council members are stipulated in the Commercial Code. In the organisation of its work, the Council shall be guided by the Articles of Association of Enefit Green (link) and the Work Procedure of the Council (link).

## The Board

The Board of Enefit Green is responsible for the executive management of the Group. It bases its actions on legislation, orders of the Council, guidelines, expectations of the shareholders, and the strategy of the Group approved by the Council.

The Board of Enefit Green has 2–5 members who are selected and recalled with a decision of the Council. The Council appoints a Chairman of the Board. The members of the Board are appointed by the Council, at the recommendation of the Chairman of the Board. The work of the Board is managed by the Chairman of the Board.

The fields of responsibility that are described in the organisation structure (Appendix 2) are divided between the Board members.

The four eyes principle is generally applied when signing contracts, according to which the corporate entity is represented by two Board members in the execution of transactions, if not authorised otherwise.

## Management of subsidiary companies

The management bodies of the subsidiary companies of Enefit Green are the General Meeting, the Council (if established in the Articles of Association), and the Board. On domestic markets outside of Estonia, one member of the Board of the domestic market subsidiary company is usually appointed to be responsible for the realisation of the strategic goals of the Group on that domestic market.

The management bodies of each subsidiary are stipulated in the Articles of Association of the corresponding subsidiary company. The subsidiary companies of the Group are presented on the scheme in Appendix 2.

The members of the Board of a subsidiary company inform the Board of Enefit Green regularly about the performance and prospects of the subsidiary company, and inform immediately and comprehensively of any important risks, transactions, and events of the subsidiary company that may affect the development and management of the subsidiary company.

The Board of the subsidiary company obtains approval for the most important decisions concerning the subsidiary company from the member of the Enefit Green Board responsible for

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the respective field or from the Enefit Green Board in accordance with the procedure of authorisations of the Group.

The documents regulating the activities of the Group generally also apply to the subsidiary companies, and can be established within the subsidiary company if necessary. A subsidiary company must also adhere to any changes related to the documents concerning the activities of the Group.

### **Relationship with the majority shareholder**

The majority shareholder of Enefit Green is Eesti Energia AS. With regard to its relationship with the majority shareholder, the Group ensures the interests of all shareholders and the transparency of executing transactions.

Enefit Green cooperates with Eesti Energia AS and other corporate entities of the Eesti Energia Group with the aim of achieving synergy in the development of renewable energy and fields related to it with regard to research and development activities, and also keeping in mind the trading capacity of the Eesti Energia Group and renewable energy needs of the clients.

The Group purchases services from the Eesti Energia Group if it is economically justified and the services are provided in accordance with market conditions.

The services purchased from the Eesti Energia Group include, but are not limited to: risk management, internal audit, accounting, personnel management, financial control, business and information technology, procurement, legal services, environmental services, marketing and communication services, and administrative service.

The procedures for managing conflicts of interest (link) and for transactions with related parties (link) shall be followed when executing transactions and cooperating with the majority shareholder.

## **5. Principal documents of the management of the group and subsidiary companies**

In the management of the Group, we follow the legislation and the requirements of standards, the present management principles, principles of the Enefit Green Group, and in fields not regulated by the aforementioned documents the common principles established in the Eesti Energia Group (to a reasonable and necessary extent), as well as apply the principle of continuous improvement. We avoid duplicating the establishment of principles – that complicates monitoring whether the regulations are followed. Common principles enable to keep the field-related guidelines for the management of the Group clear and to avoid conflicts.

A regulation concerning the management of activities of the Group or its majority is accepted by Enefit Green with a decision, formatting it based on the nature of the principal document as a principal, guidance, or other general direction. Principal documents are those regulations that are meant to be followed throughout the entire Group, with some allowed exceptions.

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The Board of Enefit Green participates in the development of those principles of the Eesti Energia Group that Enefit Green applies, to ensure that the interests of the Group are taken into consideration.

If necessary, subsidiary companies and structural units establish more detailed internal regulations that support and are in agreement with the principal documents of the management of the Group and the guidance material, decisions, directives, and orders regulating them (link).

It is our goal to apply an integrated management system based on the ISO 9001, ISO 14001 and ISO 45001 standards in the Group.

### **Creation and improvement of principal documents**

Enefit Green and the members of the Boards of its subsidiary companies participate in the creation and improvement of the principal documents regulating the activities of the Group. By doing so, the members of the Board fulfil their due diligence obligations in the management of the company and ensure that the interests of their field of responsibility are taken into consideration in the principal documents regulating the activities of the Group and that principles reflecting the needs of the subsidiary company are included in the guidelines of the management of the Group.

Compiling the documents of the Group is based on the principle that when creating or improving guidelines regulating the field, all relevant specialists of the field are included.

For each principal document of the Group, there is a person responsible for it (i.e. an owner) who ensures that it is updated and published, organises training if required, collects proposals for amendments and includes them in the document if necessary, as well as organises its approval by the Board of Enefit Green. The owner ensures that the principal document is up to date, reviewing the regulation at least once a year, while also considering if the document is still needed and if its wording is in agreement with legislation and other procedures of the Group.

Compiling the principal documents of the Group is based on the requirements of the document management procedure (link), and their application is based on the regulations of the Strategic Action Plan, Code of Ethics, and Rules for Handling Inside Information.

### **Strategic Action Plan (link)**

The Group compiles its strategy for the next five years and it is updated annually. The strategy is compiled based on the expectations of the shareholders, fields of activity, and the changing external environment. The Council approves for the company a long-term strategy for the achievement of goals that is based on the aims arising from the expectations of the shareholders and takes into consideration business risks and opportunities. On the basis of the strategy, the Council sets long and short-term goals for the Board of the company, which the Board uses when planning its activities.

### **Corporate governance (link)**

Enefit Green as a company whose shares are tradable on a regulated market is recommended to follow the principles described in the Corporate Governance Recommendations. Enefit Green

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uses these as the basis for the organisation of its management and describes its management practices in the corporate governance report in accordance with the “follow or explain” principle and confirms if the company follows or does not follow the Corporate Governance Recommendations. If Enefit Green does not follow all the Corporate Governance Recommendations, it must explain why it does not fulfil these requirements.

### **Code of Ethics (link)**

A common standard of behaviour is established in the organisation with the Code of Ethics that is meant to support the employees when solving ethical dilemmas and choosing how to act.

The Code of Ethics is one of the principal documents for the violation of which there is zero tolerance. This means that all violations will be handled in a way that is in line with the nature of the case and its circumstances and with means the effects of which are the greatest for preventing the consequences of the violations.

The purpose of the Code of Ethics is to provide a common understanding of ethical behaviour. We expect the principles provided in the code to be followed by all employees of the companies of the Group, as well as by the members of the Board, the Audit Committee, and the Council. We believe that following the requirements described in the Code of Ethics helps to increase the value of the Group, as well as prevent damaging the assets and reputation of the Group.

A system of reporting of economic interests is applied in the Group, according to which employees who may have a conflict of interest in fulfilling their job duties present their declaration of economic interests and confirm their independence with regular self-evaluations.

### **Rules for Handling Inside Information (link)**

The proper handling of inside information is important for protecting the interests of investors, as well as for ensuring honest and just trading. This requires that all investors can access important information about Enefit Green and its subsidiary companies to the same extent, at the same time, and in the same way.

The rules apply to all persons who have inside information or may come in contact with it. Persons having access to inside information and its circulation are recorded in a database.

## **6. Principles of operation of the Group**

### **Openness and transparency**

Our goal is to be transparent within the Group concerning our economic activities, disclosure of information, as well as our relationships with the shareholders. Enefit Green considers ongoing communication with its investors and shareholders very important. Four times a year, Enefit Green gives presentations on quarterly results and publishes a calendar of meetings with investors and presentation materials on the company’s website.

To inform the shareholders, the company also uses the scheduled General Meeting of shareholders, where every shareholder has the right to ask questions from the members of the Board and the Council.

The annual and quarterly reports of the Group can be viewed on the website [www.enefitgreen.ee](http://www.enefitgreen.ee).

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The reports of corporate governance of Enefit Green are an integral part of the annual report.

### **Safe work environment**

Occupational safety is an integral part of our activities. It is of utmost importance in all of our activities, and we do not make any compromises in this regard. We want to ensure a safe environment and promote safe work culture for our clients, employees, and cooperation partners.

Our activities are based on the requirements of the ISO 45001 certificate (Occupational Health and Safety Management System). The Iru power plant has the relevant certificate, and our aim is to achieve the certification of the companies belonging to the Group by 2022 at the latest.

We base our activities on the established principles of occupational health and safety ([link](#)).

### **Responsibility**

We act responsibly, basing our activities on the principles of social responsibility and ethics. We believe that by including different interest groups and having open and honest dialogue, we can constantly evolve in order to improve the quality of our services and the organisation of work.

We have established ethical requirements for contractors with whom we are in a contractual relationship and their subcontractors, so that partners would observe legislation and behave in an ethical, sustainable, and socially responsible manner as well as respect human rights. Following such principles is a prerequisite for our cooperation when entering into a contractual relationship and in case of violations, we may terminate cooperation with partners.

We operate and improve the organisation so that we would set a good example for other companies in terms of strategic clarity, good governance, effective action, economic results, and successful cooperation with all target groups.

### **Innovation and the employer's image**

For achieving strategic goals and value-based management, our tools also include the employer's image i.e. brand. We consciously and fully manage the employee experience, so that people understand their role, and encourage people to grow today with the support of the value offered by the employer in order to change the energy world of tomorrow:

- We invent – we question the status quo and seek new technologies, solutions. Innovation comes from experimenting, making mistakes and learning from them.
- We grow – we value and encourage employees to develop themselves and to be curious.
- We initiate – all of us can take responsibility and be forerunners on impactful subjects.
- We care – for the success of employees, we focus on a way of working that supports and improves the wellbeing of the employees.

### **People management**

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We are an organisation that values people. Dedicated and talented people work in our team and their long-term experience in the field of renewable energy, professionalism, client-centred way of thinking and their innovativeness are the basis for the realisation of our growth strategy. We think commercially, are result-oriented, and focus on long-term benefits. We value expert knowledge and personal development. We maintain good communication, contribute to career-related development opportunities, and dare to take responsibility. We actively contribute to ensuring new talent. We include all employees of the company in the continuous development of the company, we carry out pulse surveys, as well as conduct longer year-based surveys (commitment and cooperation research).

When managing people, we ensure that every member of the team understands the importance of their work and sees its correlation with the strategy of the Group.

We measure success with management and cooperation indices.

### **Project management**

For the successful realisation of development projects, we rely on good cooperation with stakeholders, are open and oriented toward solutions and long-term benefit. We focus on subjects that are important to communities and allow us to jointly realise renewable energy growth plans.

The development projects of the Group are managed in ways that allow to maximise business results. They help to monitor that the objectives set for projects (including technical and financial objectives) are achieved, adhering to the agreed upon schedule and budget, as well as ensuring risk mitigation.

### **Digitalisation and information technology**

Continually improving information technology solutions enable to use new innovative business models that help the Group to grow. We focus on continuously searching for innovations in information and communication technologies in international business opportunities, as well as using and further developing such solutions in the digital solutions and business processes of the Group. We invest in the use of software that amplifies our competitive advantage and creating value from data and even in implementing machine learning algorithms that make our production and management systems and business processes more efficient.

In the management and use of information technological assets, we adhere to the stipulations of the information and communication technology (ICT) policy of the Eesti Energia Group.

### **Financial policy**

The purpose of the financial policy of the Group is to establish the principles of financing the Group, establish to what extent the Group may be financed with debt capital, and cover the debt financing sources of the Group.

In developing our financial policy, we consider our business risk profile – the financial results of the Group are sensitive to changes in the market prices of electricity and the volumes of electricity and heat production. Yet, the cash flows of the Group and other financial indicators must also be sufficient in case of a negative scenario in order to fulfil obligations to our creditors. When



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compiling the financial policy, we also consider the capital requirement profile of the Group, i.e. the volumes and deadlines of the capital required.

### **Management of production assets**

With regard to planning, commissioning, using, and disposing of production assets, it is important to us that the potential of production assets is maximally used in a successful, effective, safe and environmentally friendly way throughout the entire life cycle of the given asset. We have built a knowledge-based production and asset management team, and use required digital solutions to sustainably meet the expectations of the shareholders, clients, and regulators.

### **Environmental management**

The activities of the Group may have an environmental impact. In production, we apply the best available techniques and use energy resources increasingly more efficiently and sustainably in order to follow the requirements of environment-related international agreements and legislation.

The effective and systematic management of the environmental aspects affected by the activities of the Group supports the Group's economic sustainability, value growth, ensuring competitiveness, and reduction of our environmental footprint.

To manage and reduce environmental impacts, we use an environmental management system based on the ISO 14001 standard. The Iru power plant also has an EMAS certificate.

We follow the established environmental policy ([link](#)).

### **Risk management**

The purpose of risk management is to support the realisation of the strategy of the Group, helping to achieve financial and operational aims, as well as to identify potential opportunities and prevent adverse events. Risk management is an integral part of the management of the Group, and therefore, risk management activities are an inherent part of all processes and activities.

We use the information, analysis and expert evaluations collected in the process of identifying and evaluating risks in the strategic aims of the Group, as well as in the planning and realisation of the activities intended for their achievement. We additionally preventively analyse any risks and their potential impacts that may affect the planned strategy and the achievement of its aims. We use preventive risk management measures to avoid any risks.

The process of risk management is described in the Principles of Risk Management ([link](#)).

The Council and Audit Committee of Enefit Green supervise the activities and the expected functioning of the process of risk management.

### **Internal audit system**

We apply an internal audit system for ensuring and protecting the proper operation of the business and support functions of the Group. The purpose of the system is to ensure the reliability and completeness of information, preservation of assets, economically purposeful and efficient use of

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resources, compliance with policies, regulations and contracts, and the achievement of established aims.

The supervisory process of the system is multi-level to ensure efficient supervision over the functioning of the internal audit system. The Enefit Green Council and Audit Committee, Enefit Green Board, Boards of the subsidiary companies, and the Eesti Energia Risk Management and Internal Audit Service participate in the supervisory process. Upon necessity, independent auditing companies and other persons are also included in the supervisory process.

## 7. Committees formed by the Council

### Audit Committee

The Audit Committee is a body formed by the Enefit Green Council that has the duty of advising the Enefit Green Council in the fields of accounting, auditing, risk management, internal auditing, supervision, budgeting, and regarding the legality of activities.

The Committee consists of 3 members who are elected for a term of 3 years. At least 2 members of the Committee must be independent members who meet the characteristics of independence described in the Corporate Governance Recommendations.

The activities of the Audit Committee are covered in more detail in the Rules of Procedure of the Audit Committee ([link](#)).

The Council has the right to form additional committees.

### Ethics Committee

The Ethics Committee is a communication, supervision, and decision-making body of Eesti Energia Group. The purpose of the Committee is to increase the value and reputation of the Eesti Energia Group by supporting the compliance of the activities of the Group and its employees with legislation and regulations, good business management practice, Eesti Energia's values and the Code of Ethics.

The activities of the Ethics Committee are covered in more detail in the Statute of the Ethics Committee ([link](#)).

### Financial Risk Committee (FRC)

For better management of market, liquidity and credit risks, the Board of Eesti Energia has formed the FRC of the Eesti Energia Group. Enefit Green turns to the FRC with regard to market and credit risk management. The liquidity risk is managed based on the Enefit Green Group's manual on the calculation and management of liquidity risk.

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The activities of the FRC are covered in more detail in the Rules of Procedure of the FRC (link).

## 8. Checking and updating the management principles

The management principles are changed, if necessary, at the initiative of the management bodies of Enefit Green in order to ensure correspondence to current and planned activities, as well as to continuously improve the effectiveness of management.

This document's references to the website and the diagrams in the appendices are constantly updated, but these do not need to be approved with a decision of the Board when updated. Appendices with updated contents become a part of the procedure when the owner of the procedure has given their consent. The assistant of the Chairman of the Board updates the hyperlinks, appendices of the document as they are updated, replacing the appendices within the main text of the management principles and ensuring that they are also published and accessible on the intranet. The appendices to the management principles are:

- 1) Domestic markets of Enefit Green;
- 2) Organisational structure of Enefit Green;
- 3) Chart of the subsidiary companies of Enefit Green