

Expectations from *Rail Baltica* project and joint venture RB Rail in corporate governance

Areas of expectations

Key messages

1. Clear Objectives and Assessment of Outcomes

Specific and measurable long-term, mid-term and yearly objectives of the project should be in place and disclosed.

Assessment of outcomes and pre-set key performance indicators should be carried out at least every half year and involve all major stakeholders.

2. Effective Governance Structure

Effective governance structure should clearly divide and assign specific rights and responsibilities, and define proper mechanisms of interaction among Rail Baltica shareholders, Supervisory Board and Management Board.

Supervisory Board should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitor the performance of Management Board. Shareholders should consider electing several independent Supervisory Board members.

Project success is closely correlated with the competence and performance of the professional Management Board and project team.

3. Transparency and Disclosure

Transparency and disclosure measures should be implemented according to the best international practise. All material information is disclosed, including but not limited to financial statements, objectives, remuneration policy, foreseeable risks and governance policies.

Society in the Baltics and stakeholders should be informed about the project activities and how the project is implemented. Rail Baltica publicity plan with targeted audiences should be successfully implemented, taking into account country-specific aspects.

4. Effective Use of Resources

Stakeholders should ensure efficiency of project operations and processes. Procurement procedures should be clear and competitive, non-discriminatory and safeguarded by appropriate standards of transparency and integrity, not imposing unnecessary burdens.

Mechanisms should be in place to avoid conflicts of interest and to confine undue political interference, as well as to prevent fraud and corruption.

5. Responsible Business Conduct and Stakeholders Engagement

Important area in ensuring successful project implementation is stakeholders' relations and the necessity to keep project stakeholders informed and engaged.

Rail Baltica project should become a recognized leader in corporate governance, innovations and sustainable business conduct, both in the Baltics and beyond. These aspects should be integrated in Rail Baltica strategy, balancing commercial and non-commercial objectives.

INDICATORS

Expectations from Rail Baltica project and multi-national joint venture RB Rail in corporate governance

1. Clear Objectives and Assessment of Outcomes

- Project goals and objectives are specific and measurable
- Long-term, mid-term and yearly objectives (financial and non-financial) are disclosed
- Objectives are implemented in time and with quality
- Pre-set key performance indicators have clear parameters for delivery and quarterly assessment of outcomes are carried out at least every half year, involving all major stakeholders

2. Effective Governance Structure

Effective governance structure clearly divides and assigns specific rights and responsibilities, and defines proper mechanisms of interaction among Rail Baltica shareholders, Supervisory Board and Management Board.

- **Professional, Active and Informed Shareholders**
 - o Clear mechanism for timely decision-making by shareholders
 - o Shareholders agreement in place and respected, all shareholders are treated equitably
 - o Shareholders allow full operational autonomy of RB Rail to achieve defined objectives and refrain from intervening in operational management
 - o Shareholders are responsible for transparent, well-structured nomination process of the Supervisory Board members
 - o Shareholders ensures that Supervisory Board act in best interests of the project and company
 - o Supervisory Board performance is assessed by shareholders at least yearly
- **Effective Supervisory Board**
 - o Supervisory Board have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring the performance of Management Board
 - o Focus of Supervisory Board is on strategic issues, setting objectives and monitoring implementation status
 - o The composition of the Supervisory Board allows it to properly fulfil its duties and responsibilities
 - o The Chair assumes responsibility for boardroom efficiency
 - o Presence of several independent Supervisory Board members and observers
 - o Supervisory Board improves knowledge in Corporate Governance
 - o Transparent nomination process of Management Board is organized
- **Professional Management Board**
 - o Project success is closely correlated with the competence and performance of the project team. Only professional qualifications in Management Board
 - o Clear KPI's defined for management on yearly basis
 - o Management Board is accountable to Supervisory Board, shareholders and all stakeholders
 - o Management Board of the project and RB Rail is separated from undue political interests
 - o Management Board improves knowledge in Corporate Governance

3. Transparency and Disclosure

- Transparency and disclosure measures are implemented according to the best international practise (IFRS, OECD, World Bank, Nasdaq, BICG)
- All material information is disclosed, including but not limited to financial statements, objectives, remuneration policy, foreseeable risks and governance policies. Society in the Baltics and beyond is informed about the project activities and how the project is implemented. Rail Baltica publicity plan with targeted audiences is successfully implemented, taking country-specific aspects into account
- High-quality standards for financial and nonfinancial reporting are used
- Country perspective – political objectives are defined and published
- Quarterly / Annual reports available online, on the web page of Rail Baltica
- Clear picture on what information cannot be disclosed and why

4. Effective Use of Resources

- Efficiency in project operations and processes
- Integrity, transparency in public procurements; procedures involved are clear and competitive, non-discriminatory and safeguarded by appropriate standards of transparency, not imposing unnecessary burdens
- RB Rail has an updated risk management and risk mitigation plan
- Mechanisms in place to avoid conflicts of interest and to confine political interference
- Code of Ethics in place and respected
- The Supervisory Board has developed and communicated measures, including those which contribute to preventing fraud and corruption

5. Responsible Business Conduct and Stakeholders Engagement

- Sustainable business as an important part of Rail Baltica strategy, balancing commercial and non-commercial objectives
- Stakeholders relations (also decision-makers, employees, suppliers, clients), communion is aimed at keeping all stakeholders informed
- Practical measures to implement principles of Environmental, Social and Governance sustainability, CSR, GRI
- RB Rail is a leader in corporate governance and innovations, responsible business conduct