AS AUGSTSPRIEGUMA TĪKLS
2020
SUSTAINABILITY REPORT

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FOREWORD

2020 was a challenging year for both the Latvian and global society and economy, and only a few saw it as an opportunity, as a year when it was possible to focus more actively on work, analyse mistakes, and achieve goals, for which significant investments have been made in previous years. For AST, this was clearly a year of success, with the opportunity to enjoy the benefits of previous investments.

Since July 2020, with the acquisition of a decisive influence in the gas transmission system operator AS Conexus Baltic Grid, the Augstsprieguma tīkls Group has been established, which consists of a group of commercial companies in which the parent company AS Augstsprieguma tīkls has a decisive influence and includes the subsidiary AS Conexus Baltic Grid. Thus, electricity transmission, as well as natural gas transmission and storage are the operating segments of Augstsprieguma tīkls Group. AS Augstsprieguma tīkls has concluded a transaction with PAS Gazprom for the acquisition of 34.10% of AS Conexus Baltic Grid shares, thus increasing its control in the company to 68.46% and fulfilling the task given by the Cabinet of Ministers.

The work done in previous years on teleworking, investment in technology and training of personnel have paid off – even after the restrictions imposed by the pandemic, the personnel was able to switch to a successful workflow remotely within a few days, largely based on experience, as well as on the fact that the responsibilities of each employee were clear. Considering the existing experience, in 2020, the process of digital transformation was launched – integration of digital technologies in all business directions and operational processes, i.e., not the "digitisation" of existing processes, but the reconstruction of processes using the possibilities ofdigital technologies, the collection, analysis and use of high-quality data in everyday processes and decision-making. Digital transformation is also associated with a change in the company's internal culture, allowing experimentation, the implementation of innovative solutions, readiness to challenge proven methods, and readiness to accept failures. Modern, flexible, and secure IT infrastructure, structured, accessible, accurate and up-to-date data, as well as modern governance based on a balanced culture of innovation, are considered to be the cornerstones of the digital transformation.

In 2020, the reform of the ownership of the assets of the electricity transmission system was completed, the Company managed to reach a set of decisions, by which the assets of the transmission system were transferred to the ownership of the transmission operator. This step significantly improved the Company's operational efficiency, provided cost savings in the tariff, as well as had a positive impact on financial stability. Simultaneously with the acquisition of ownership of the transmission assets, AST also undertook to continue to finance the investment in assets on its own. To raise funding on the most favourable terms possible, AST immediately started to work on the determination of the credit rating. At the beginning of 2021, the international credit rating agency S&P Global Ratings assigned AST a long-term credit rating of BBB+ for the first time, which is a remarkably high rating for a company that has not been rated before.

Imants Zviedris, Member of the AST Board

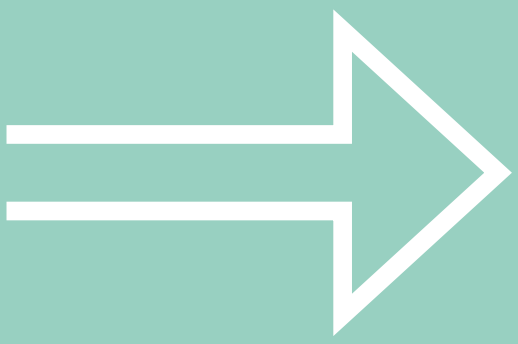
In 2020, two (2) development projects were successfully completed, i.e., the construction of a 330 kV power transmission line from Riga CHP-2 to Riga HPP, as well as a line from Riga CHP-2 to Kilingi-Nemme in Estonia, which marked the end of several years of successful work in attracting European co-financing for both projects. Both connections, as well as a number of other ongoing projects, are an essential precondition for the synchronisation of the Baltic network with Europe, which is planned for the end of 2025.

The general objectives of AST are as follows:

- Implement the sustainable management of energy supply assets of strategic importance to the country
- Promote their integration into the European Union's internal energy market
- Ensure the security of Latvia's energy supply
- Provide a continuous, high-quality, and affordable energy transmission service

The main strategic direction of the Augstsprieguma tīkls **group is focused on:**

- FINANCIAL STABILITY – to ensure the optimal return on public investment, financial risk management
- ENERGY SECURITY – synchronisation and integration with the European transmission networks, including the electricity and ancillary services markets
- QUALITY ENERGY SUPPLY – Innovation-orientated high-quality energy supply at the lowest possible tariff
- SOCIAL RESPONSIBILITY – safe working environment, employee involvement and social responsibility towards society
- SUSTAINABLE AND EFFICIENT MANAGEMENT – Continuous efficiency improvement, modern and transparent management



REGARDING THE REPORT

102-50 102-49	**Accounting period**	01.01.2020–31.12.2020
102-48 102-52	**Reporting frequency**	The third report of AS Augstsprieguma tīkls is based on international GRI guidelines. In the future, it is also planned to prepare annual sustainability reports in accordance with the standards.
102-51	**Date of publishing**	
102-54	***Global Reporting Initiative***	The 2020 Sustainability Report has been prepared in accordance with the requirements of the *Core* guidelines of the *GRI Standards* and incorporates European Parliament and Council Directive 2014/95/EU and non-financial information specified in the Financial Instrument Market Law.
	Reporting framework	The report discloses information about AS Augstsprieguma tīkls (see section "Briefly about AST").
102-46	**Principles for determination of the content of the report**	In accordance with basic level (*Core*) requirements, the report discloses the general standard information (*General Disclosures*) on the activity of AST in full. Based on the assessed materiality, 33 out of 102 standard GRI indicators and at least one indicator for each material aspect have been added; in total 33 *Core* indicators, 2 industry-specific *Core* indicators and 38 key indicators were added. The description of the report preparation process is provided in the section "Identification of the key sustainability aspects". Upon the preparation of the Sustainability report for 2020, AST gathered the views of interested and impacted parties, including clients, cooperation partners, employees and personnel interest representatives, state authorities and non-governmental organisations affected by the activity of AST, as well as fields where there are risks related to sustainability aspects.
102-56	**Audit acknowledgment**	The Audit Certificate on the 2020 Sustainability Report has been provided by SIA Deloitte Audits Latvia.
	Report format	A PDF version of the report is available at: AST website www.ast.lv (in Latvian)
102-53	**Contacts**	E-mail address for suggestions and questions regarding the Sustainability Report: ast@ast.lv.

GRI INDICATORS

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PROFILE OF AST

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The business model of AST is a joint stock company operating in accordance with the Statutes, the Law on Governance of Capital Shares of a Public Person and Capital Companies, the Commercial Law and other applicable laws and regulations. The owner of all AST shares is the Ministry of Finance of the Republic of Latvia (100%).

AST's legal address is 86 Dārzciema Street, Riga, LV-1073, however, the Company's structural units are also located elsewhere in Riga and Latvia (including Jelgava, Liepāja, Ventspils, Daugavpils, Rēzekne, etc.).

AST is an independent Transmission System Operator of the Republic of Latvia (hereinafter – TSO), which provides transmission system services and ensures balancing and stability in the transmission system.

According to the issued licence No. E12001, Section 11, Paragraph 1 of the Electricity Market Law, AST is the only TSO in Latvia, and its licence area is the entire territory of Latvia.

In accordance with the separation model of the electricity transmission system operator that has been implemented in Latvia, the Company leases the assets of the transmission system necessary for the provision of the electricity transmission system services from its owner AS Latvijas elektriskie tīkli.

By the protocol decision of the sitting of the Cabinet of Ministers of 17 December 2019 (No. 59, § 75), it was determined that after the investment of the state-owned shares in AS Latvijas elektriskie tīkli (hereinafter - LET), the reorganisation of AS Augstsprieguma tīkls and AS Latvijas elektriskie tīkli must be carried out by adding AS Latvijas elektriskie tīkli to AS Augstsprieguma tīkls by 31 December 2020.

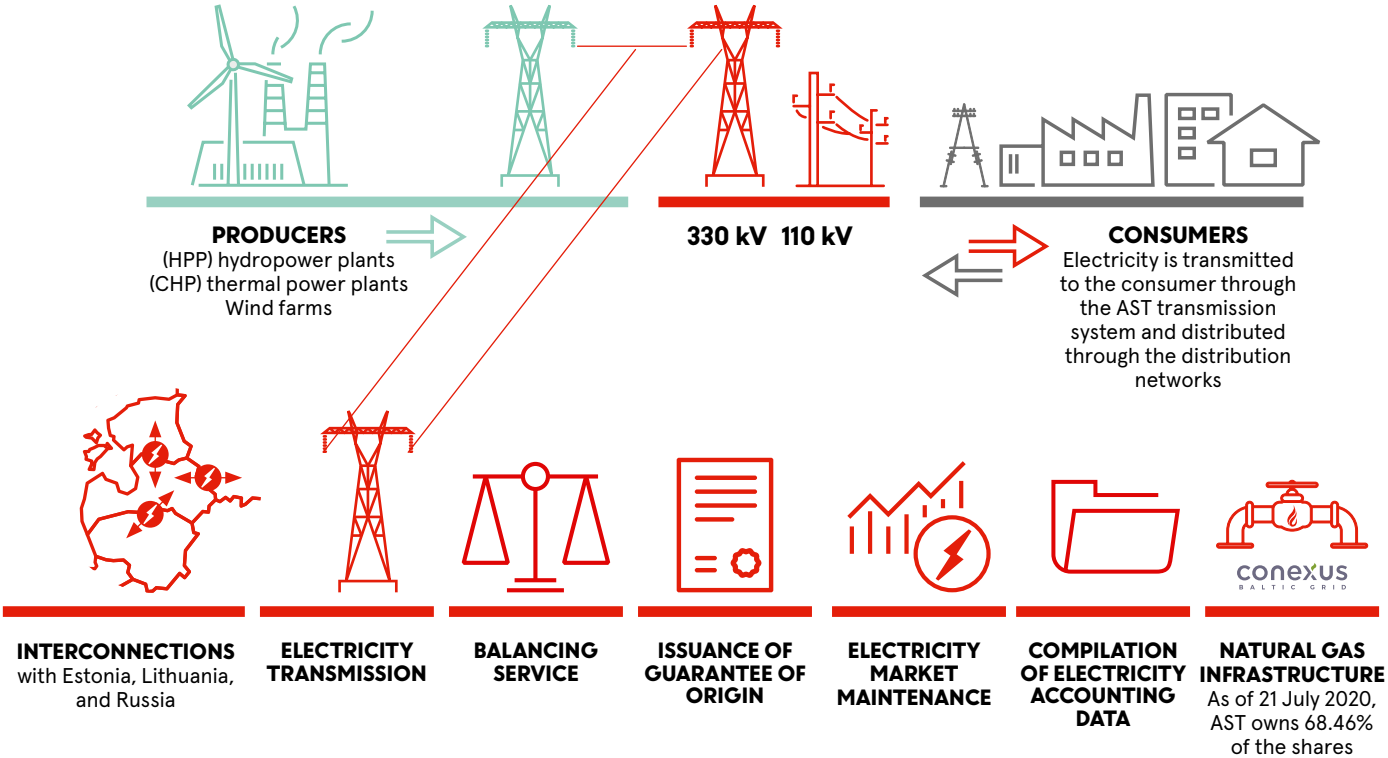
Executing the protocol decision of the sitting of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 (No. 46, § 38) and the protocol decision of the sitting of 17 December 2019 (No. 59, § 75) on 10 June 2020, the current subsidiary of AS Latvenergo, the owner of transmission system assets AS Latvijas elektriskie tīkli was separated from the Latvenergo Group and was invested in AS Augstsprieguma tīkls on 15 June 2020.

According to the Register of Shareholders, as of 16 June 2020, the sole shareholder of LET is AS Augstsprieguma tīkls.

According to the decision of the Enterprise Register of the Republic of Latvia of 25 November 2020, on 25 November 2020, AS Latvijas elektriskie tīkli **was excluded from the Register of Enterprises and was added to** AS Augstsprieguma tīkls**.**

After the Reorganisation, in accordance with the provisions of Section 335, Paragraph four of the Commercial Law, AS Latvijas elektriskie tīkli ceased to exist without a liquidation process; AS Latvijas elektriskie tīkli (merged company) transferred all its property, rights and obligations to AS Augstsprieguma tīkls (acquiring company).

After the Reorganisation, the acquiring company continues the commercial activities of the company to be merged. **When executing the protocol decision of the Cabinet of Ministers of the Republic of Latvia of 26 May 2020 (No. 36, Paragraph 38) "Regarding the Use of the Pre-emption Right in the Transaction of the Alienation of Shares of** *AS Conexus Baltic Grid***, on 21 July 2020,** *AS Augstsprieguma tīkls* **acquired 34.1% of the shares of** *AS Conexus Baltic Grid***, and accordingly as of 21 July 2020, the Company owns 68.46% of the shares of** *AS Conexus Baltic Grid* **and has a decisive influence in the company.**



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THE OVERALL STRATEGIC GOAL

In accordance with the Cabinet of Ministers (hereinafter – **CM**) of the Republic of Latvia (hereinafter – **LR**) Order No. 308 of 10 July 2018:

- Implement the sustainable management of energy supply assets of strategic importance to the country
- Promote their integration into the European Union's internal energy market
- Ensure the security of Latvia's energy supply
- Provide a continuous, high-quality, and affordable energy transmission service

VISION

To become the leading transmission system operator in the region, which operatively and successfully implements development-orientated changes.

MISSION

Ensure a continuous, secure, and sustainably efficient energy supply throughout Latvia

CORE VALUES

A quality policy has been developed in the Company, that, based on the Energy Law, the Electricity Market Law and the Network Code, defines the Company's core values:

TRUST

HONESTLY

Independent, ethical, and transparent action towards anyone and everyone

DEVELOPMENT

WISDOM

Effectively. Looking forward. Long-term thinking

SAFETY

RESPONSIBLY

Deliberate action. With high responsibility towards people, work, and nature

TEAM

TOGETHER

We join forces to achieve more. Strong team that encourages and challenges

The Company has developed, implemented, and maintains the management system of the company in accordance with the requirements of ISO 9001:2015 (quality), ISO 14001:2015 (environment), ISO 45001:2018 (occupational safety), and ISO 50001:2011 (energy management) standards.

The implemented Integrated Management System ensures the efficient operation of AS Augstsprieguma tīkls, observing internationally accepted operating mechanisms regarding quality, energy management, environment protection and occupational health management, ensuring correct compliance with regulatory requirements, promoting the identification and fulfilment of expectations of the customer, and interested parties, taking the view of the Company's processes into account.

THE FACTS 2020

POWER LINES
5424 km

THE ORIGINS OF AST
1939

LONG-TERM CREDIT RATING*
BBB+
S&P GLOBAL RATINGS

EMPLOYEES
546

INCOME
EUR 147 million

SINCE
2002

PLATINUM AWARD OF THE SUSTAINABILITY INDEX

SUBSTATIONS
140

top 101.lv
THE MOST VALUABLE COMPANY IN LATVIA ranked **21st**
CORPORATE GOVERNANCE RATIO ranked **1st**

100%
THE OWNER IS THE MINISTRY OF FINANCE OF LR

68.46%
SHARES
conexus BALTIC GRID

5961 GWh
ELECTRICITY TRANSMITTED

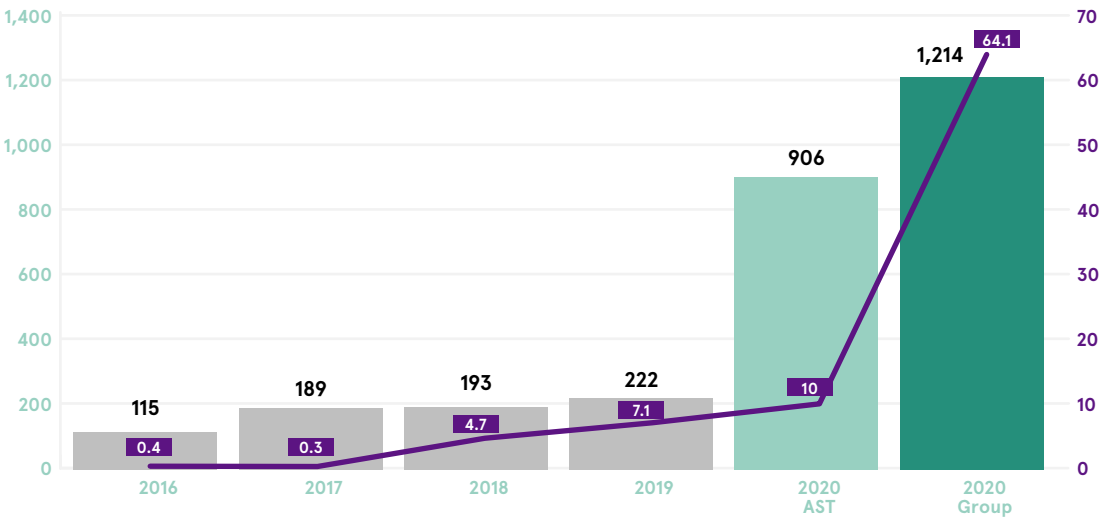
THE EMPLOYEES OF AST GROUP
887

GROUP TURNOVER AND PROFIT
EUR 64 million

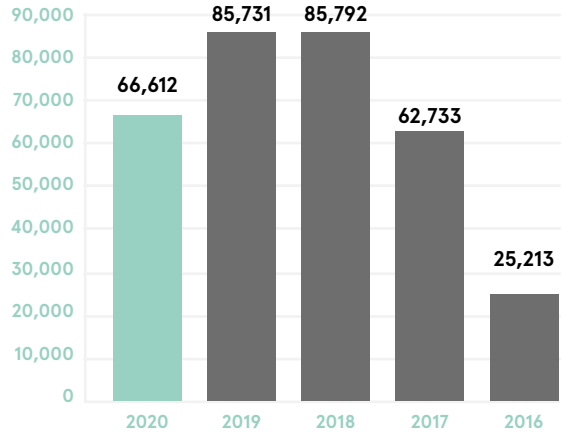
AST GROUP TURNOVER
EUR 145 thousand

BALANCE SHEET TOTAL
EUR 1.2 billion

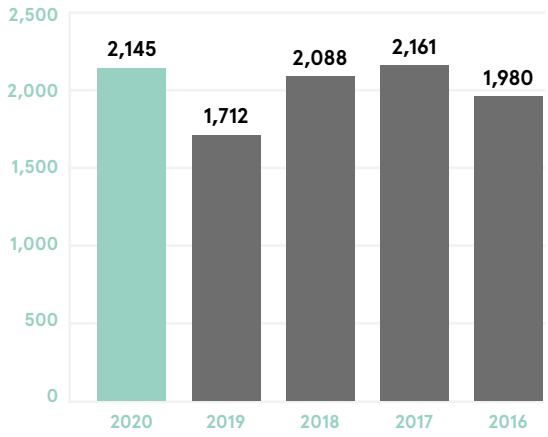
BALANCE SHEET VALUE/PROFIT, million EUR



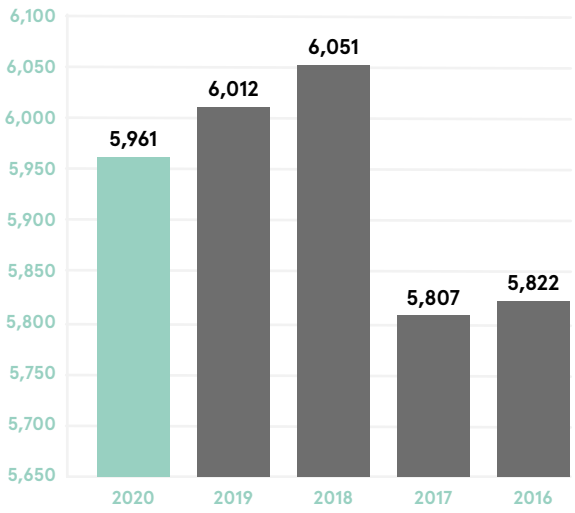
CAPITAL INVESTMENTS IN THE ELECTRICITY TRANSMISSION SYSTEM, thousand EUR



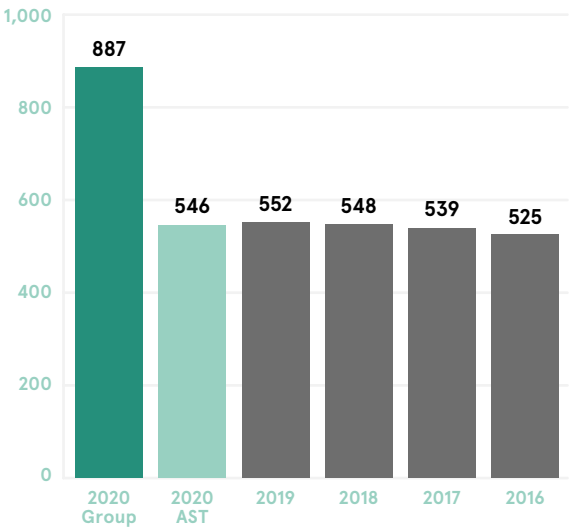
REALISED ASSET MAINTENANCE REPAIRS, thousand EUR



ELECTRICITY TRANSMITTED TO USERS, GWh



NUMBER OF EMPLOYEES



KEY EVENTS

The reform of the ownership of the transmission system assets has been completed

The reform of the ownership rights of the transmission system assets has been completed on 25 November 2020 by merging the owner of the transmission assets AS Latvijas elektriskie tīkli with AS Augstsprieguma tīkls. As part of the reorganisation, AS Augstsprieguma tīkls took over all assets and liabilities of AS Latvijas elektriskie tīkli.

Decisive influence in AS Conexus Baltic Grid **gained.**

AS Augstsprieguma tīkls has concluded a transaction with PAS Gazprom for the acquisition of 34.10% of AS Conexus Baltic Grid shares, thus increasing its control in the company to 68.46% and fulfilling the task given by the Cabinet of Ministers. Along with this transaction, the state has full control over the gas transmission system in the country, promoting the strengthening of state energy security and promoting the further development of the gas system in accordance with the set energy policy objectives.

The project "Construction of the Power Transmission Line "Riga CHP-2 – Riga HPP"" has been completed.

Within the framework of the project, a new 330 kV overhead/cable line with an indicative length of 15 km has been put into operation, and the 330 kV distribution of the substation "Riga CHP-2" has been expanded. Implementation of the project in the amount of 50% was co-financed by the European Union from the funds of the *Connecting Europe Facility* (CEF).

Obtained investment grade credit rating of BBB+

For the first time, the international credit rating agency S&P Global Ratings has assessed and assigned the long-term credit rating BBB+ to the Latvian transmission system operator AS Augstsprieguma tīkls.

"Kurzeme ring" (origin. Kurzemes loks) was recognised as the best engineering structure in 2019.

The implemented project "Kurzeme ring" was recognised as the best engineering structure in 2019 in the exhibition "The Best Building in Latvia of the Year". The results of the competition were announced in April 2020.

TOP 101 most valuable companies in Latvia.

In 2020, AS Augstsprieguma tīkls was for the first time included in the TOP 101 of the most valuable companies in Latvia, created by Nasdaq Riga and Prudentia, ranking 21st. In turn, when evaluating the AST Corporate Governance Ratio, experts rated it with 92 points, which is the highest indicator of all companies included in the TOP101.

The issuance of European standard guarantees of origin for electricity has started.

In accordance with the requirements of the Electricity Market Law, as of 1 December 2020, AS Augstsprieguma tīkls has joined the unified European Energy Certificate System. AST issues certificates of origin of electricity, which serve as proof that the electricity is produced from renewable energy or by using efficient cogeneration.

The new Estonia–Latvia interconnection has been put into operation.

All construction works have been completed in the development project "Third Estonia-Latvia 330 kV interconnection", and the newly built 330 kV line from Estonia to Riga CHP-2 in Latvia has been put into operation. From 1 January, the line shall be considered when calculating the transmission capacity allocated to the electricity market. Implementation of the project in the amount of 50% was co-financed by the European Union from the funds of the *Connecting Europe Facility* (CEF).

Latvia has reached the lowest average price of electricity in history since the opening of the market.

In February, the price of electricity in Latvia continued to decrease, reaching the historically lowest level since the opening of the electricity market in July 2013 – the average price per megawatt hour in February was EUR 28.05. The price of electricity reached its lowest level in April 2020, when it was EUR 23.53/MWh.

AST joins the Memorandum on Sustainable Energy Development and Improving Energy Efficiency

AST, as a socially responsible and sustainable development company, has joined the Memorandum of Cooperation between the Ministry of Economics, public administration institutions, non-governmental organisations, and state capital companies. The memorandum envisages cooperation in achieving the goals of sustainable development and energy efficiency, construction and housing accessibility, promoting the growth of the Latvian economy and the well-being of each of its inhabitants.

GOVERNANCE AND STRUCTURE OF THE COMPANY

An appropriate and transparent organisational structure is established for the size indicators of AST, for strategic development and for the effective management of operational risks.

SHAREHOLDER
CABINET OF MINISTERS

Ministru kabinets

SHAREHOLDERS' MEETING
THE REPRESENTATIVE OF THE MINISTRY OF FINANCE WHICH IS THE HOLDER OF THE STATE CAPITAL SHARES

SUPERVISORY BOARD
THE REPRESENTATIVE OF THE MINISTRY OF FINANCE WHICH IS THE HOLDER OF THE STATE CAPITAL SHARES

INTERNAL AUDIT DIVISION

CHAIRMAN OF THE BOARD

MEMBER OF THE BOARD (System Management)

- Department for the Development and Integration of the Electricity Market
- + System Management Department
- + Electricity Metering Service

MEMBER OF THE BOARD (Development)

- + Development Department
- + Information Technology Department

MEMBER OF THE BOARD (Support)

- Legal Department
- Procurement Department
- Supply Department
- Regulatory Affairs Department
- Transport Department
- Document Management Department
- Real Estate Management Department

MEMBER OF THE BOARD (Operation)

- + Technical Operation Department
- Operational and Safety Supervision Service
- + Technical Expertise Department

Bureau of the Board

- Human Resources Department
- + Finance and Accounting Department
- Quality Management Department
- Document Management Department
- Communications Department
- Safety Department

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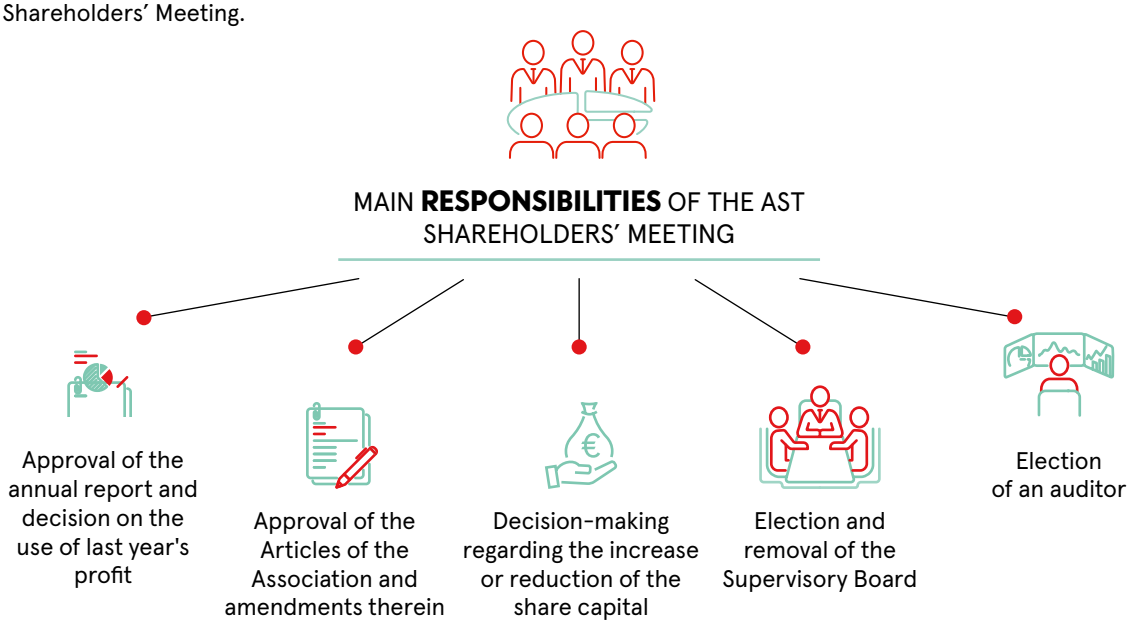
SHAREHOLDER AND SHAREHOLDERS' MEETING

The owner of all AST shares is the Ministry of Finance of the Republic of Latvia (100%). The Cabinet of Ministers exercises the competence of AST's Shareholder. The shareholder implements the governance of AST together with the Shareholders' Meeting, the Board and the Supervisory Board within the competence specified in the Law on Governance of Capital Shares of a Public Person and Capital Companies. The representative of the State's share makes decisions within the competence of the AST Shareholders' Meeting.

In 2020, 5 Shareholders' Meetings were held, during which several significant decisions were made, including those related to the approval of the 2019 annual report, the use of the profit of 2019, the election of the auditor for the 2020 audit of AST, changes in the composition of the AST Supervisory Board, election of the members of the Supervisory Board, amendments to the articles of association.



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SUPERVISORY BOARD

The AST Supervisory Board represents the interests of the Shareholder between the Shareholders' Meetings and supervises the activities of the AST Board, participates in the strategic development of AST, as well as in the supervision of the financial and risk management system.

The operating principles of the AST Supervisory Board, as well as its main responsibilities are set out in the Statutes and the regulations of the Supervisory Board. The tasks and responsibilities of the AST Supervisory Board are subject to the laws and regulations.

During the reporting period, Kaspars Āboliņš, Chairman of the Supervisory Board, Olga Bogdanova, Deputy Chair of the Supervisory Board, Madara Melne, Armands Eberhards and Aigars Ģērmanis, Members of the Supervisory Board, continued to work in the AST Supervisory Board. The term of office of the Supervisory Board members will expire on 30 December 2024.

In 2020, 20 AST Council meetings took place, in which more than 100 agenda items were considered and 55 AST Council decisions were adopted.

In accordance with the tasks specified in the Law on Governance of Capital Shares of a Public Person and Capital Companies, the AST Supervisory Board has participated in the examination of several important issues, including:

- approval of the medium-term operational strategy of AST;
- on the electricity transmission system services tariff;
- the progress of the realisation of the capital investment plan in the transmission assets;
- on the reorganisation of AS Augstsprieguma tīkls, merging with AS Latvijas elektriskie tīkli;
- for the purchase of AS Conexus Baltic Grid shares;
- on the evaluation of the effectiveness of AST, etc.

https://www.ast.lv/en/content/supervisory-board

THE BOARD

The day-to-day management of AST shares, jointly managing and representing AST, is carried out by its executive body, the Management Board.

The AST Management Board organises its work according to the functional principle: each board member is responsible for a certain field of activity according to their professional knowledge, experience, and competencies in the respective area of responsibility: the chairman – management, and members of the board – system management, development, support, and operation.

The tasks and responsibility of the AST Board are subject to the laws and regulations. The operating principles of the AST Board, as well as its main responsibilities are set out in the Statutes and the Statutes of the Board.

All members of the Board are independent in their activities and the members of the Board have no participation in the capital of cooperation partners or affiliated companies.

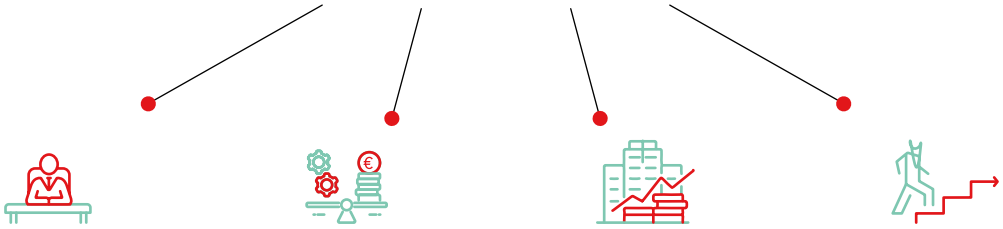
The AST Board consists of five members, who are elected by the AST Supervisory Board for a term of five years, after assessing the adequacy of the required competencies, experience, and planned area of responsibility.

In the reporting period of 2020, AST Management Board was consistently ensured by the Chairman of the Board, Varis Boks, Member of the Management Board (operation) Imants Zviedris, Member of the Management Board (Development) Arnis Staltmanis, Member of the Management Board (System Management) Gatis Junghāns and Member of the Management Board (Support) Mārcis Kauliņš. As of the date of publication of the report, Varis Boks and Arnis Staltmanis have resigned.

https://www.ast.lv/en/content/board

In 2020, 64 AST Management Board meetings were held, during which 428 agenda items were considered and more than 330 decisions were made.

MAIN **RESPONSIBILITIES** OF THE AST BOARD:



Management and representation of the Company

To take responsibility for the Company's operations, as well as for accounting compliance with the law

Management of the Company's assets

Implementation of the Company's strategic direction, development plans, OBJECTIVES, and policies

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REMUNERATION POLICY OF THE SUPERVISORY BOARD AND THE BOARD

The salaries of the chairman and members of the AST Supervisory Board and the Board are determined in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulations issued on its basis, and the guidelines issued by the Cross-Sectoral Coordination Centre. Legislation establishes a unified regulation for the remuneration of members of the council and board of a public company. The amount of remuneration is determined by evaluating the criteria characterising the size and operating results of the capital company.

Members of the AST Supervisory Board and Board are not covered by the Collective Bargaining Agreement of AST. Authorisation agreements have been concluded with the members of the Supervisory Board and the Board, which stipulate, among other things, that in the case of removal from the Supervisory Board, the member of the

Supervisory Board does not receive severance pay or any other compensation; in turn, a member of the Board receives severance pay in the amount of remuneration for three fixed months if he or she is removed from office before the end of the term, including reorganisation or liquidation, and the reason for the revocation is not related to a breach of authority, failure to perform or improper performance of duties, inability to manage the capital company, damage to the public interest or distrust expressed by the Supervisory Board. If, after a comprehensive inspection, the Company receives an opinion from the law enforcement authorities of the Republic of Latvia that a member of the Board does not comply with the requirements of Section 9 of the Law on Official Secret, i.e., the authorised person is denied access to confidential, secret or top secret state objects, the authorised person is removed from the position of member of the Board, therefore, and severance pay shall not be paid.

Remuneration for 2020 for AST Supervisory Board: Chairman Kaspars Āboliņš is EUR 33,336, Deputy of Chair Olga Bogdanova EUR 30,000, Member of Supervisory Board Madara Melne EUR 30,000, Member of Supervisory Board Armands Eberhards EUR 30,000, Member of Supervisory Board Aigars Ģērmanis EUR 30,000.

Remuneration for 2020 for the Chairman of the AST Board – EUR 120,852, for a member of the Board (development) – EUR 108,756, for a member of the Board (operation) – EUR 108,756, for a member of the Board (support) – EUR 108,756, for a member of the Board (system management) – EUR 108,756.

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INTERNAL AUDIT

The purpose of the AST internal audit is to assess and help improve the effectiveness of risk management, internal control, and governance processes by contributing to AST objectives and adding value.

The internal audit is functionally supervised by the AST Supervisory Board, and administratively it is subordinated to the Chairman of the AST Board.

Based on the risk assessment performed, a strategic and annual internal audit plan is prepared, which is reviewed by the AST Board and approved by the AST Supervisory Board.

The prepared internal audit reports are submitted to the AST Board and Supervisory Board. The internal audit complies with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

Based on the risk assessment performed and the priorities set by the management of AST, the current annual internal audit plan is approved by the AST Supervisory Board.

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DIVIDEND POLICY

Considering the fact that AST is a state-owned capital company, the share of dividends to be disbursed is determined in accordance with Cabinet Regulation of the Republic of Latvia of 22 December 2015 No. 806 “Procedures by which State Capital Companies and Public Private Capital Companies in which the State is a Participant (Shareholder) Estimate and Determine the Share of Profit to be Disbursed in Dividends, and Make Payments to the State Budget for the Use of State Capital”.

In addition to the above-mentioned, the number of dividends to be paid by AST is determined by the Protocol Decision of the Cabinet of Ministers of 29 May 2018 (No. 26, § 45).

Pursuant to the above-mentioned Decision of the Cabinet of Ministers, in 2020 (for the reporting year 2019) the share of profit to be paid in dividends is set at 25% of the company's net profit. The rest of the profit is directed to the development of the Company.

The part of AST profits, which is paid out in dividends is paid into the State budget, thus benefitting society. During the last five years, dividends of EUR 6,037 thousand have been paid to the state budget.

In accordance with Section 36 of the Law on the State Budget for 2020, the minimum dividends to be paid to the state in 2020 from the profit of the reporting year 2019 are set at EUR 1,735,958 (including corporate income tax).

For 2020, AST will pay the state EUR 8 million in dividends.

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AST SUPERVISORY BOARD

KASPARS ĀBOLIŅŠ
Chairman of the
Supervisory Board

Term of office: 30.12.2024

EDUCATION

1996–1999	University of Latvia, Faculty of Economics and Management, Master's degree in Social Sciences and Company Management
1992–1996	University of Latvia, Faculty of Economics and Management, Bachelor's degree in Business Management

WORK EXPERIENCE

2019– Present	AS Augstsprieguma tīkls, Chairman of the Supervisory Board
2018– Present	AS Conexus Baltic Grid, Chairman of the Council
2016–2018	"Ziemeļu Investīciju banka", Chairman of the Board of Directors (as part of a rotation procedure)
2015– Present	AS Air Baltic Corporation, Member of the Council
2014	AS Attīstības finanšu institūcija, Restructuring Manager
2013–2015	AS Reverta, Member of the Council
2012	VAS Valsts nekustamie īpašumi, Chairman of the Board
2011–2019	"Ziemeļu Investīciju banka", Member of the Board
2008–2010	AS Parex banka, Member of the Council
2008–2011	"Ziemeļu Investīciju banka", Deputy Member of the Board
2006– Present	The Treasury of the Republic of Latvia (orig. Valsts kase), Treasurer
2003–2010	SIA BO Ziemeļvidzemes atkritumu apsaimniekošanas organizācija, Councillor
2001–2006	Ministry of Finance of the Republic of Latvia, Ugāle Parish financial stabilisation procedure supervisor
2000–2002	Ministry of Finance of the Republic of Latvia, Chairman of the Council of Municipal Loans and Securities Control and Supervision
1997–2000	Ministry of Finance, Member of the Council of Municipal Loans and Securities Control and Supervision
1999–2001	Ministry of Finance of the Republic of Latvia, Head of the Municipal Financial Stabilisation Control and Supervision Council
1997–2006	The Treasury of the Republic of Latvia, Director of the Financial Risk Management Department
1996–1997	Ministry of Finance of the Republic of Latvia, Head of the Loan Forecasting and Analysis Section, External Debt Management Department
1994–1996	Ministry of Finance of the Republic of Latvia, Senior expert of the Loan Forecasting and Analysis Section, External Debt Management Department

Dr.oec. **OLGA BOGDANOVA,**
Deputy Chair of the Supervisory Board

Term of office: 30.12.2024

EDUCATION

2007–2012	Riga Technical University, doctoral degree in Economics at the International Business and Customs Institute of the Faculty of Engineering Economics and Management
2003–2006	Riga Technical University, master's degree in Management Science, Management of International Economics (with honours)
2004–2005	*Pforzheim Fachhochschule,* Germany, *International Management Programme,* advanced vocational training diploma
2003–2006	Riga Technical University, Institute of Humanities, additional studies in Teaching Science, with a speciality in teaching engineering subjects
2000–2003	Riga Technical University, bachelor's degree in Management Science, Management of International Economics (with honours)

WORK EXPERIENCE

2019 – Present	AS Augstsprieguma tīkls, Deputy Chairperson of the Supervisory Board
2016–2019	AS Augstsprieguma tīkls, Member of the Supervisory Board
2018– Present	Ministry of Finance of the Republic of Latvia, Head of the Tax Administration and Public Interest Policy Department
2018– Present	World Energy Council, expert, participant in the Future Energy Leadership project
2017–2020	Latvian Science Council, expert
2016–2018	Ministry of Economics of the Republic of Latvia, Head of the Energy Market, and Infrastructure Department
2016– Present	Riga Technical University, lecturer at the International Business and Customs Institute of the Faculty of Engineering Economics and Management
2016	Ministry of Economics of the Republic of Latvia, acting deputy state secretary in energy affairs
2014–2016	Ministry of Economics of the Republic of Latvia, Deputy head of the Energy Market and Infrastructure Department, Head of the Energy Market Section
2013–2014	Ministry of Economics of the Republic of Latvia, Head of the Energy Market, and Infrastructure Section
2010–2013	Ministry of Economics of the Republic of Latvia, senior consultant at the EU Commodity and Service Market Section, Internal Market Department (reorganised section deputy head position, with additional deputy head duties)
2006–2010	Ministry of Economics of the Republic of Latvia, Deputy head of the EU Commodity and Service Market Section, Internal Market Department
2006	Ministry of Economics of the Republic of Latvia, senior consultant at the EU Commodity and Service Market Section, Internal Market Department
2005	Ministry of Economics of the Republic of Latvia, senior consultant of the Section for EU Affairs administration, Department of International Economics
2005–2014	Riga Technical University, guest lecturer at the International Business and Customs Institute of the Faculty of Engineering Economics and Management

ARMANDS EBERHARDS –
Member of the Supervisory Board

Term of office: 30.12.2024

EDUCATION

2005–2006	*London School of Economics and Political Science* (LSE) (UK), MSc *Politics of the World Eco* (Merit)
1998–1999	*EHSAL Management School* (Belgium), International MBA (*Cum Laude*)
1993–1994	University of Latvia, master's degree in Environmental Studies and Management
1990–1994	University of Latvia, bachelor's degree in Environmental Studies
2000–2003	Riga Technical University, bachelor's degree in Management Science, Management of International Economics (with honours)

WORK EXPERIENCE

2019– Present	AS Augstsprieguma tīkls, Member of the Supervisory Board
2019– Present	European Investment Fund (EIB group) (Luxembourg), Deputy director, board of directors (*Alternate Director*)
2011– Present	Ministry of Finance, Deputy State Secretary for ESSFKF affairs
2014– Present	European Investment Bank (Luxembourg), Director/Member of the Board
2018	OECD/SIGMA (Melnkalne), consultant
2011–2012	AS Hipotēku un zemes banka, Deputy Chairman of the Council
2004–2011	Central Finance and Agreement Agency, Director
2010–2012	Hulla&Co. Hyman Dynamics TTSIB EuropeAid/ 130480/C/SER/ MD; ECO 3, BE SATTO Project, Contract 200-049 (Moldova, Armenia), consultant
1998–2004	Central Finance and Contract Unit, Director
1995–1998	Ministry of Finance, Head of the International Aid Coordination Department
1994–1995	Ministry of Finance, Head of the International Aid Coordination Section

MADARA MELNE,
Member of the Supervisory Board

Term of office: 30.12.2024

EDUCATION	
2006–2010	University of Latvia, professional bachelor's degree in Economics, with the qualification as head of a unit for international affairs
2007	*ESC Troyes – Champagne School of Management* (France), bachelor's degree in Business Administration (BBA), International Business

WORK EXPERIENCE	
2019– Present	AS Augstsprieguma tīkls, Member of the Supervisory Board
2014– Present	SIA CatchSmart, Strategy Director
2012–2014	Fridberg Nordic Timber Ltd, Executive Director
2009– Present	SIA Baltic Transport Lines, Executive Director
2008–2009	Riga Wood France Ltd (France), assistant sales manager
2007–2009	AS Latvijas Finieris, Assistant Sales Manager

AIGARS ĢĒRMANIS,
Member of the Supervisory Board

Term of office: 30.12.2024

EDUCATION	
1998–2000	University of Latvia, master's degree in Management Science
1993–1997	University of Latvia, bachelor's degree in Business Management

WORK EXPERIENCE	
2019– Present	AS Augstsprieguma tīkls, Member of the Supervisory Board
2010– Present	SIA CRC Consulting, Chairman of the Board
2018–2019	IMMER GROUP (Ukraine), Development Director
2014–2018	AMBER BEVERAGE GROUP, Member of the Board, Commercial Director
2009–2013	SANITEX GROUP (Latvia/Estonia), Chairman of the Board
2004–2009	PROCTER & GAMBLE Marketing Latvia (responsible for the Baltic market), Chairman of the Board

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AST BOARD

Mg. sc. ing. VARIS BROKS,
Chairman of the Board

Period of entrustment:
31.03.2021

EDUCATION

1982–1989	Pelše Institute of Technology in Riga, Speciality: Electrical Drive and Industrial Equipment Automation; Qualifications: Electrical Engineer

WORK EXPERIENCE

2011–Present	AS Augstsprieguma tīkls, Chairman of the Board
2005–2011	AS Augstsprieguma tīkls, Member of the Board
2000–2005	AS Latvenergo branch Augstsprieguma tīkls, System Management Director – Chief Dispatcher
2000–2000	SJSC to be privatised Latvenergo, Deputy Executive Director of the Central Dispatcher Service
1996–2000	AS Latvenergo, Deputy Director of the Central Dispatcher Service
1996–1996	Member of the Board of AS Rīgas siltums, Head of the Dispatcher Service
1993–1996	State Company Latvenergo, Head of the Dispatcher Service of Latvenergo's Cogeneration Department
1992–1993	AS Dambis, Chief Power Engineer
1988–1992	RA VEF, Office of the Chief Power Engineer, Engineer-designer

Dipl. ing. IMANTS ZVIEDRIS,
Board Member

Period of entrustment:
17.12.2024

EDUCATION

1993–1996	Riga Technical University, Power Supply, Engineer-electrician
1986–1990	Riga Polytechnic Institute, ECM (Electric computing machines) Equipment and Devices, Technician-electrician

WORK EXPERIENCE

2015–Present	AS Augstsprieguma tīkls, Member of the Board
2017–2018	AS Conexus Baltic Grid, Member of the Council
2014–2015	AS Latvijas elektriskie tīkli, Technical Director
2011–2015	AS Latvijas elektriskie tīkli, Member of the Management Board
2011–2011	AS Latvijas elektriskie tīkli, Chairman of the Management Board
2005–2011	AS Augstsprieguma tīkls, Chairman of the Board
2000–2005	AS Latvenergo branch Augstsprieguma tīkls, Technical Director
1998–2000	SJSC to be privatised Latvenergo branch Augstsprieguma tīkls, Head of Operation and Safety Equipment Monitoring Service
1996–1998	VAS Latvenergo branch Augstsprieguma tīkls, Energy Grid Dispatcher of the Dispatcher Service
1995–1996	VAS Latvenergo branch Augstsprieguma tīkls, Technician of the Dispatcher Service

Mg. sc. ing. MBA ARNIS STALTMANIS,
Member of the Board

Period of entrustment:
07.04.2021

EDUCATION

2003–2005	Riga Technical University, Faculty of Engineering Economics and Management (in cooperation with Buskerud University College in Norway), Master of Business Administration
1994–1996	Riga Technical University, Faculty of Power and Electrical Engineering, Master's degree in Automation of Electric Power Processes
1996	Royal Institute of Technology and *ABB System Control* (Sweden), 4-month internship and development of a Master's Thesis
1993–1994	Riga Technical University, Faculty of Electric Power Engineering, Engineer – electrical stations and networks
1990–1993	Riga Technical University, Faculty of Electric Power Engineering, Bachelor's degree – electrical stations and networks

WORK EXPERIENCE

2011–Present	AS Augstsprieguma tīkls, Member of the Board
2009–2011	AS Augstsprieguma tīkls, Head of the International Development Projects Service
2006–2008	AS Augstsprieguma tīkls, Head of the System Protection Service
2001–2006	SIA Baltijas energosistēmu dispečeru centrs, Head of the System Protection Service
1999–2001	SIA Baltijas energosistēmu dispečeru centrs, Electrical Mode and Relay Service Engineer
1997–1999	National Grid plc. (Great Britain), Power Plant Connection Management, Testing and Modelling Engineer
1993–1997	SIA Baltijas energosistēmu dispečeru centrs, Electrical Mode and Relay Service Engineer

Dr sc. ing. GATIS JUNGHĀNS,
Member of the Board

Period of entrustment:
24.04.2026

EDUCATION	
2012–2018	Riga Business School, Master of Business Administration
2008–2010	Stockholm School of Economics in Riga, Master of Business Administration
2003–2008	Riga Technical University, Faculty of Power Engineering, Doctor of Engineering
2001–2003	Technical University, Faculty of Power Engineering, Master's degree in Engineering
1997–2001	Riga Technical University, Faculty of Power Engineering, Bachelor's degree in Engineering

WORK EXPERIENCE	
2016–Present	AS Augstsprieguma tīkls, Member of the Board
2017–Present	Riga Technical University, Associate Professor
2015–2016	Elektrum Lietuva UAB (Lithuania), Member of the Council
2008–2015	Elektrum Lietuva UAB (Lithuania), Chairman and CEO, Member of the Board
2015–2016	Elektrum Eesti OÜ (Estonia), Member of the Council
2007–2015	Elektrum Eesti OÜ (Estonia), Member of the Management Board
2006–2014	JSC Nordic Energy Link (Estonia), Member of the Council
2007–2016	AS Latvenergo, Head of the Sales Department
2005–2007	AS Latvenergo, Project Manager
2003–2005	AS Augstsprieguma tīkls, Electrical Engineer, Sector Manager
2000–2003	AS Sadales tīkls (former structural unit Rīgas Elektrotīkls of SJSC Latvenergo), Electrical Engineer

Mg. iur. MĀRCIS KAULIŅŠ,
Member of the Board

Period of entrustment:
30.04.2026

EDUCATION	
1999–2005	University of Latvia, Faculty of Law, Professional study programme of law, Master's degree in Law

WORK EXPERIENCE	
2016–Present	AS Augstsprieguma tīkls, Member of the Board
2015–2016	AS Latvenergo, Legal Advisor
2011–2015	AS Latvijas elektriskie tīkli, Member of the Management Board
2010–2011	Procurator of North Hub Cleaning Services Ltd
2004–2009	Metro Capital Management Ltd, Lawyer
2002–2003	University of Latvia, public procurement specialist

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INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

INTERNAL CONTROL SYSTEM

To ensure the implementation of the AST work plan and the achievement of its objectives, successful monitoring and efficiency, AST has established and is constantly improving its internal control system. It is designed in accordance with the requirements of the ISO 9001; ISO 14001; ISO 50001 and ISO 45001 standards, including binding regulatory enactments. Internal processes of AST and the effectiveness of existing controls are regularly evaluated by the Integrated Management System Audit, the supervisory audit performed by the certification body DNV GL and the Internal Audit Department.

The certification supervisory audit was performed by the certification body DNV GL, no non-conformities were identified, 7 positive findings and 1 observation were recorded. Overall rating - five (5) in a 5-point system. An important area of audit is "risk assessment and management". The management system is recognised as effective and in accordance with the standards.

In 2020, during the implementation of the Integrated Management System Internal Audit programme,

- **23 category II non-conformities,**
- **99 observations,**
- **14 recommendations and**
- **15 positive observations were recorded.**

AST promotes fair business, ethical compliance, and takes the necessary steps to prevent the risks of corruption and fraud and to promote the improvement of the control environment.

A report on periodic or emergency revision of risks in each area is prepared for the Board. The area of strategic risks is within the competence of the Management Board. Once a year, a report is prepared for the Management Board and successively for the Supervisory Board on the risk management in the respective year.

RISK MANAGEMENT

To ensure sustainable operation and development, AST is constantly improving its risk management processes.

The risk management of AS Augstsprieguma tīkls is regulated by AS Augstsprieguma tīkls risk management concept (KON-1-1), as well as management regulations for individual risk areas. In total, nine (9) risk areas have been identified.

In 2020, risk management regulations in three (3) areas have been developed, reviewed, and approved: System Management Risk Management Regulations (NOP-1-031), Fraud and Corruption Risk Management Regulations (NOP-1-024) and IS Security Risk Management Regulations (NOP-84-38).

Risk review, assessment and ongoing risk monitoring measures are performed in a timely manner in all risk areas. The risk assessment considers the risk controls already in place and the existing risk management measures, after which the residual risk value is determined.

In general, it can be concluded that the implemented risk management is adequate, the identified risks are well monitored, the implemented controls are mostly effective, which results in low risk levels. Risks with high potential are observed in some cases in the fields of strategic risks, environmental risks, system management risks and physical safety risks.

The task of risk identification is to identify potential hazards, their causes, expected consequences, and existing preventive measures in a structured way. Risks are revised with a certain periodicity, a procedure for risk reports is defined, which ensures risk monitoring between the risk revisions. An emergency revision of risks is proposed to identify circumstances that may materially affect the exposure value of risk.

STRATEGIC RISKS: an emergency revision of risks following the Covid-19 pandemic. At the end of the year, the annual risk assessment was revised, and risk mitigation measures were identified and included in the risk assessment matrix.

FINANCIAL RISKS: a review of the risk assessment has been performed, no changes in the assessments have been identified.

TECHNICAL RISKS: due to the transmission network disruption on 09.06.2020, an emergency revision of

technical risks was carried out. The necessary risk monitoring and improvement measures have been taken.

SYSTEM MANAGEMENT RISKS: due to the transmission network disruption on 09.06.2020, an emergency revision of system management risks was carried out. The necessary risk monitoring and improvement measures have been taken.

ENVIRONMENTAL RISKS: In 2020, a risk revision was performed, all necessary monitoring measures were performed, certain risks with high potential were identified, the overall level of environmental risks is low, and the level of risk management is high.

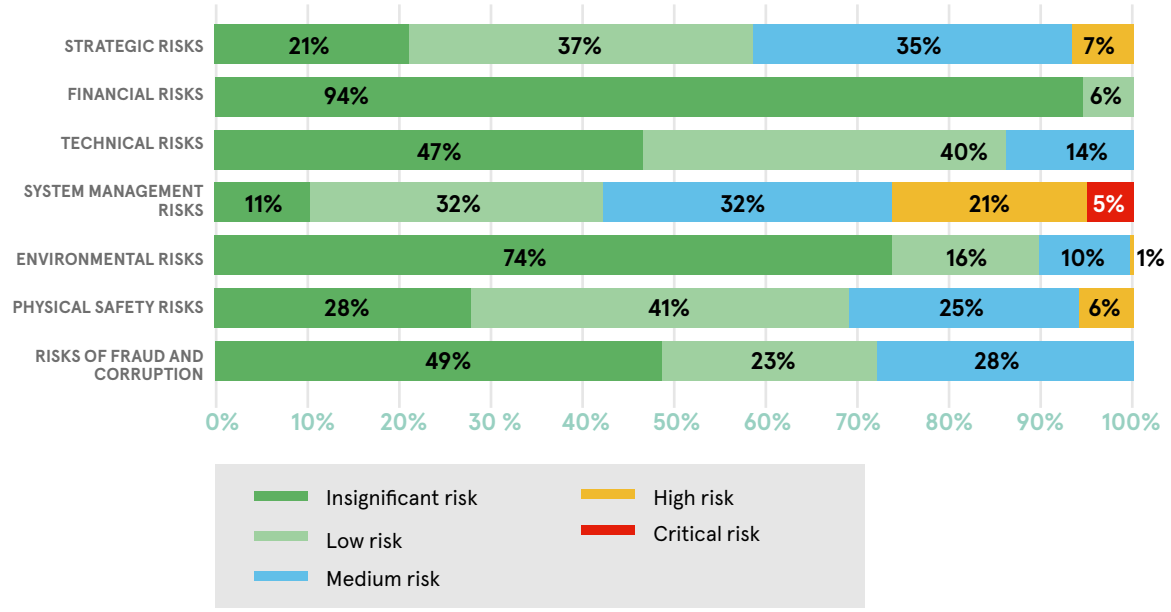
OCCUPATIONAL RISK: occupational risks were assessed in 21 structural units, the rest were reviewed for occupational risks without changes, one risk manifestation with a medium degree of risk was identified, the value of other risk factors did not exceed a low level of risk.

IT RISKS: new risk assessment regulations have been approved, risk monitoring in 24/7 mode has been ensured. An IS risk assessment plan for 2021–2023 has been developed.

RISKS OF FRAUD AND CORRUPTION: risk review was performed for all structural units subordinated to the Board; risk monitoring measures were ensured.

PHYSICAL SAFETY RISKS: A risk review has been performed, which has identified two high-potential risks. Management measures are in place for both risks.

RISK ASSESSMENT IN 2020, REMAINING RISK VALUES



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PROCUREMENT

AST, as a public service provider, organises procurement procedures in accordance with the Law on the Procurement of Public Service Providers of the Republic of Latvia. It is essential for AST to ensure more transparent free competition between the market participants, equal treatment, efficient use of resources, therefore, one way to achieve it is to promote fair competition as much as possible. To carry on its business, AST performs the purchase of construction works, goods and services.

In addition to the above legal requirements, procurement procedures are organised in accordance with AST's internal procedures and policies, Cabinet of Ministers Regulation No. 108 of 28 February 2017 "Regulations Regarding Public Electronic Procurements", ensuring the transparency of procurement procedures and preventing the risk of corruption by strengthening cooperation between supervisory authorities.

In 2020, the interactive 'Sanctions Map' of the International and National Sanctions Law of the Republic of Latvia, which depicts the EU and UN sanctions regime, was considered in the organisation of the procurement. To meet the objective set out in the Law on International Sanctions and National Sanctions of the Republic of Latvia, before concluding a procurement contract with the potential winner of the tender, it shall be ascertained whether the contractor has been subject to sanctions that could affect the performance of the contract in accordance with the requirements of the above-mentioned law.

During the preparation stages of the Procurement Regulations, the requirements of the "Basic Regulations for the Procurement Procedures" and the requirements of the Law on Public Service Providers Procurement and European Union directives are observed, as well as Cabinet of Ministers Order No. 103 of 12 March 2020 "Regarding Declaration of the Emergency Situation".

In procurement procedures, AST shall, where possible, follow the principles of green procurement (in addition to the price of the goods or services, life-cycle costs or elements of the life-cycle costs are assessed, including, e.g., acquisition costs, operating costs (e.g., electricity and other resources), maintenance costs, end-of-life costs (e.g., collection and recovery costs).

AST complies with the groups of goods and services listed in Annex 1 to Cabinet Regulation of 20 June 2017 No. 353 "Requirements for Green Public Procurement and Procedures for its Application" to which green public procurement is mandatory.

The number of procurement contracts concluded in 2020 is 267, including 45 construction contracts, 152 service contracts and 70 supply contracts. Of these, five transformer contracts and two contracts for the purchase of vehicles are defined as green procurement because life-cycle costs are calculated for them.

CORPORATE SOCIAL RESPONSIBILITY

Since 2017, AST has developed and approved a Corporate Social Responsibility (CSR) Policy with the aim of promoting the sustainable development of AST by achieving high customer satisfaction and loyalty, employee motivation and productivity, cooperation with public and state institutions.

During the development process of the AST CSR Policy, the ten Guiding Principles of the UN Global Compact and Corporate Social Responsibility were considered, which encourage organisations to respect human rights and working conditions, protect the environment and fight corruption.

- Commitment to sustainable economic growth, focusing on the well-being of employees, their families, and the surrounding society, including environmental protection
- Changing mindsets and attitudes – not responsible consumer society values, but responsible and informed consumption is supported

To support good CSR practices and promote public welfare, AST implements its CSR activities in the following areas:

- Science and education
- Environment and labour protection
- Social support and responsibility towards employees
- Society

AST VALUES

HONESTLY

WISDOM

RESPONSIBILITY

COLLECTIVELY

CSR DIRECTIONS

SOCIETY

EDUCATION SCIENCE

ENVIRONMENT LABOUR PROTECTION

EMPLOYEES

ACTIVITIES IMPLEMENTED

THE COMPANY

To support and make a positive contribution to society and the environment in which we operate

- Travelling photo exhibition “Energy on the move” exhibited at Riga Technical University in Riga and Liepaja as well as Riga Technical College
- Participation in the project “Latvia works” – AST has joined the objective of attracting Latvian nationals living abroad to work in Latvia
  http://latvijastrada.lv
- Donor days organised in cooperation with the Latvia State Blood Donor centre – 100 people have been helped by donating 15 litres of blood.

EDUCATION SCIENCE

Contribution to the education and science sector, promoting the direction taken

- Participation in RTU Career Days
- Promoting the development of practical applications and creative solutions in the final thesis, AST announces a scholarship competition for students of higher education institutions for the development of the final thesis. The amount of the scholarship for one applicant is up to EUR 250 per month, and it is awarded for the duration of the final thesis development.
- AST has announced applications for paid internships, offering the opportunity for students at universities, colleges, and vocational education institutions to strengthen their theoretical knowledge in practice. In total, AST offers 28 paid internships during the year.

ENVIRONMENT LABOUR PROTECTION

To gradually reduce the impact of your activities on the environment – to protect and take care of the environment in the long run

- Introduction of green procurement
- Continuous limitation and reduction of negative impact on the environment by reducing emissions of pollutants
- Introduction and use of new, environmentally friendly technologies in the electricity transmission and supply
- Reducing or preventing work environment risk by organising a safe work environment for employees

EMPLOYEES

To inspire every employee to grow and excel, to respect and observe labour and human rights

- Educationally motivating direction:
  - Intellectual seminar series Energy Afternoon (orig. Enerģijas launags)
  - Colleagues Month
  - Mind games
  - Activity “Get acquainted with your colleagues”
  - Honouring veterans of work and other long-term employees
- Active, healthy sports direction:
  - AST Health Month
  - Provision of a gym
- Socially responsible direction:
  - Event for unemployed seniors;
  - Senior mixed choir Volta

Recipients of the donation	Registration number	Donation	Amount in EUR
2020			
Latvian Association of Power Engineers and Energy Builders	40008116388	For the creation of gravestone for the prominent Latvian electrician Dr sc. ing. Vinis Krēsliņš.	1,490
2019			
Association VHB Latvija	40008264800	Transfer of the gym to be used free of charge	1,373
Latvian Sitting Volleyball Association for Disabled Athletes	40008097814	Transfer of the gym to be used free of charge	5,491
2018			
Association VHB Latvija	40008264800	Transfer of the gym to be used free of charge	1,373
Latvian Sitting Volleyball Association for Disabled Athletes	40008097814	Transfer of the gym to be used free of charge	5,491
Ēdole Primary School	4112901194	Participation of two folk dance groups of Ēdole Primary School in the festival "Latvian children led the dance" in Jelgava.	600
Latvian Association of Power Engineers and Energy Builders	40008116388	Awards to the winners of the student final thesis competition	750
Association "Daiļrade"	40008202656	To the dance group Daiļrade to produce Nīca folk coats	1900
2017			
Latvian Association of Power Engineers and Energy Builders	40008116388	Awards to the winners of the student final thesis competition	750

AWARDS

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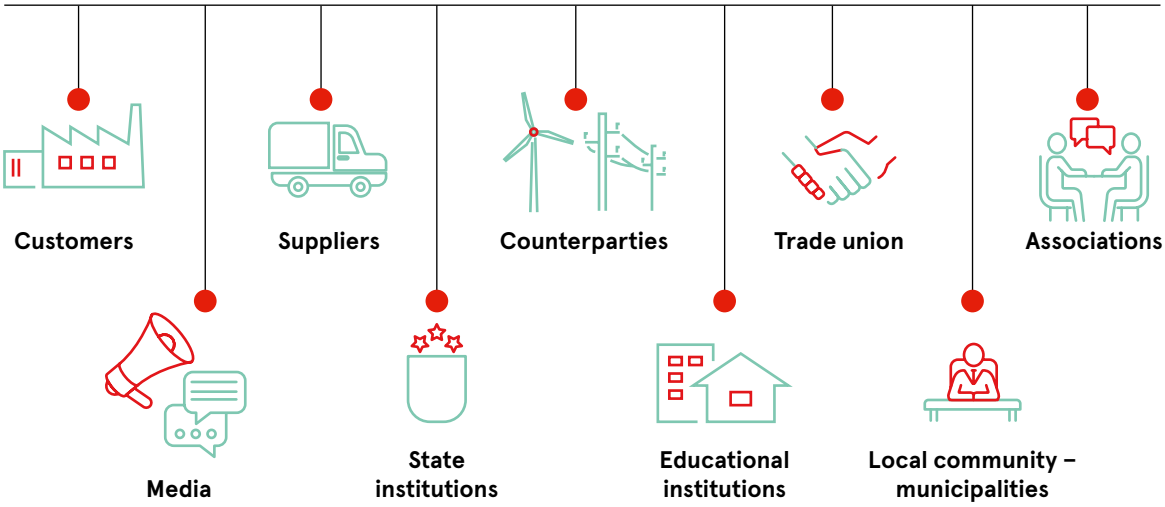
COOPERATION WITH INTERESTED PARTIES

During the preparation of the Sustainability Report for 2020 in accordance with the GRI standard, AST relied on both its views on significant aspects of sustainability and the assessment made by the impact parties, which was carried out through a survey of several customers and partners. 22 respondents expressed their opinion in the AST customer survey, and less than 46 respondents participated in the survey of cooperation partners.

Overall, customer satisfaction has remained high over the past two years. The total satisfaction with the cooperation partners is 7.8 points.

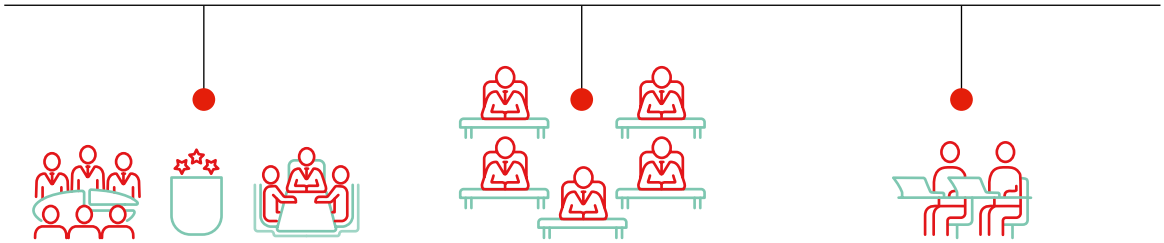
EXTERNAL INTERESTED PARTIES



External interested parties	Relevant topics/sustainability aspects
Customers ○ **Transmission system users:** AS Sadales tīkls SIA SCHWENK Latvija VAS Latvijas dzelzceļš SIA Vats ○ **Electricity producers:** AS Latvenergo AS Rīgas Siltums ○ **Electricity traders:** SIA Enefit SIA Imlitex Latvija Inter RAO	○ Quality of the Services provided ○ Customer satisfaction with the Company, its services, servicing, availability of information and content ○ Payment options and services ○ Availability and efficiency of the services ○ Reducing the frequency and duration of unplanned outages ○ Transparent, fair, and ethical marketing and communication practices ○ Compliance with the regulatory requirements and fair competition ○ Emergency Management Plans
Suppliers ○ **Construction companies:** AS Empower SIA Latvijas energoceltnieks SIA Ditra networks SIA Energoremonts Rīga	○ Clear and open tenders ○ Development of electricity interconnections

	External interested parties	Relevant topics/sustainability aspects
Counter-parties 	○ **Transfer system operator:** AS Elering	○ Development of electricity interconnections ○ Involvement in energy policymaking
Trade union 	○ LAB Enerģija	○ Collective bargaining agreement, healthy and safe working environment, rights and responsibilities of the employer and employees ○ Employee productivity and motivation, competencies, remuneration and well-being ○ Data security
Associations 	○ Latvian Association of Power Engineers and Energy Builders ○ Latvian Association for People Management	○ Latvian and EU energy policy and regulatory environment ○ Development trends and innovations in the energy sector ○ Compliance with the regulatory requirements and fair competition
Media 	○ LETA ○ Dienas Bizness	○ Main activity and management of the Company ○ Topical issues of Latvian and EU energy policy ○ Emergency Management Plans ○ Health and safety of employees ○ Availability and efficiency of the services
State institutions 	○ Public Utilities Commission (PUC) ○ Ministry of Economics	○ Development of Latvian and EU energy policy and regulatory norms ○ Emergency Management Plans ○ Compliance with the requirements of laws and regulations
Educational institutions 	○ RTU	○ Education programmes that meet the requirements of the labour market ○ Content of educational materials for children and youth ○ Contribution to public welfare and CSR activities ○ Involvement in energy policymaking ○ Transparent, fair, and ethical marketing and communication practices ○ Availability of information
Local community – municipa-lities 	○ Salaspils	○ CSR activities ○ Environmental protection, plant modernisation and electricity network infrastructure projects ○ Provision of services and problem solving

INTERNAL INTERESTED PARTIES



Shareholder and Supervisory Board

Ministry of Finance of the Republic of Latvia

Members of the Supervisory Board

The Board

Employees

Internal interested parties	Relevant topics/sustainability aspects
○ **Shareholder and Supervisory Board** ○ **Ministry of Finance of the Republic of Latvia** ○ **Members of the Supervisory Board**	○ Strategy, governance, investment, and performance ○ Compliance with the regulatory requirements and fair competition ○ Involvement in energy policymaking ○ AST contribution to the national economy ○ Contribution to public welfare and CSR activities ○ Emergency Management Plans
○ **The Board**	○ Strategy, governance, investment, and performance ○ Compliance with the regulatory requirements and fair competition ○ Involvement in energy policymaking ○ AST contribution to the national economy ○ Contribution to public welfare and CSR activities ○ Emergency Management Plans
○ **Employees**	○ Collective bargaining agreement, healthy and safe working environment, rights and responsibilities of the employer and employees ○ Employee productivity and motivation, competencies, remuneration and well-being ○ Data security

ACTIVITIES IN INDUSTRY AND PUBLIC ORGANISATIONS

2015

LEEA

Membership in the association provides an opportunity to participate in the evaluation and improvement of legislation, policy documents and standards of electricity and energy construction, organisation of personnel certification and training programmes, conducting scientific research related to electricity and organising scientific and technical events, as well as to co-operate with educational institutions in the field of electricity.

Representatives of AST regularly participate in the meetings of the Latvian Association of Power Engineers and Energy Builders (LEEA) to ensure an exchange of views on current issues in the energy sector, including energy security.

2016

Institute of Corporate Sustainability and Responsibility

Since 2016, AST has been a corporate member of the institute and participates in its activities by participating in the annual Sustainability Index evaluation, improving its performance from year to year, as well as participating in good practice exchange events organised by the institute (seminars, training, Responsible Business Week).

2009

ENTSOe

Membership in the Association of European Transmission System Operators provides an opportunity to participate in the development of legislation and policy documents at the European level. The association represents 36 countries and 43 transmission system operators. It aims to work on the liberalisation of the gas and electricity markets in the European Union.

2016

Latvian National Committee of the World Energy Council

AST has been a member since August 2016. Membership in WEC LMC provides information on energy research, extraction, transport, transformation, and efficient use both nationally and internationally.

2015

Latvian Association of Testing Laboratories

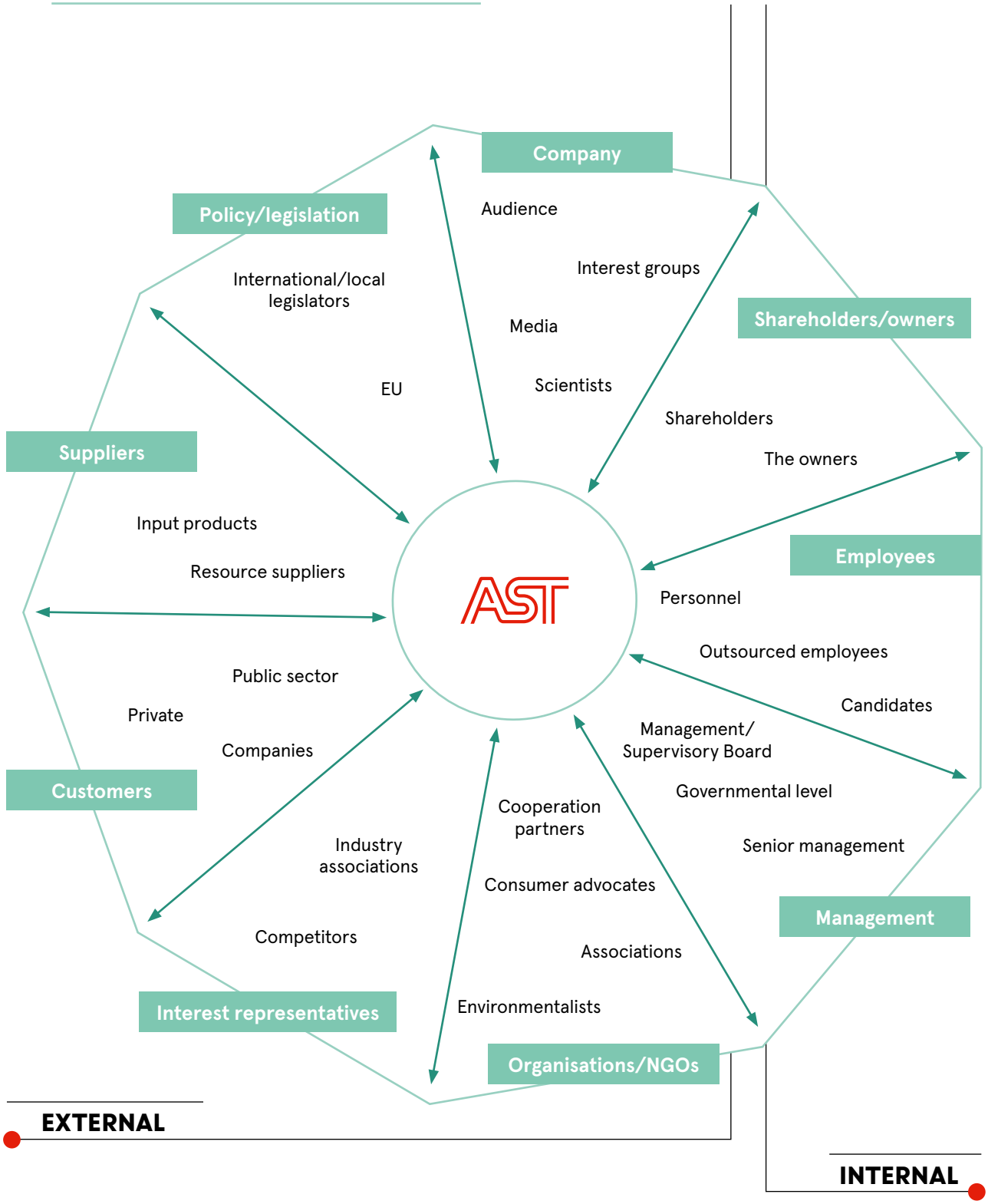
To maintain quality, competence, and compliance with the requirements of international standards of the accredited AST chemistry laboratory, in May 2015, AST became a member of the Latvian Association of Testing Laboratories.

2010

Latvian Association for People Management

The Latvian Association for People Management (LPVA) was founded to promote the popularity of personnel management in Latvia, increase the competence of personnel specialists and managers, as well as the prestige of this position in the labour market to show the positive impact of effective personnel management on successful operations. AST has been its member since 2010.

INTERESTED PARTIES' RADAR



OPERATING SEGMENTS

EU4

ELECTRICITY TRANSMISSION

In accordance with the "Law on Regulators of Public Utilities", the regulation of public services is performed by the Public Utilities Commission (hereinafter – PUC) under the leadership of its council. PUC's tasks include representing the interests of users, approval of the methodology for calculating electricity transmission system service tariffs (hereinafter – tariffs), setting tariffs, licensing public services, promotion of competition in regulated sectors, monitoring the transmission system operator's compliance with certification requirements and approval of the 10-year transmission system plan.

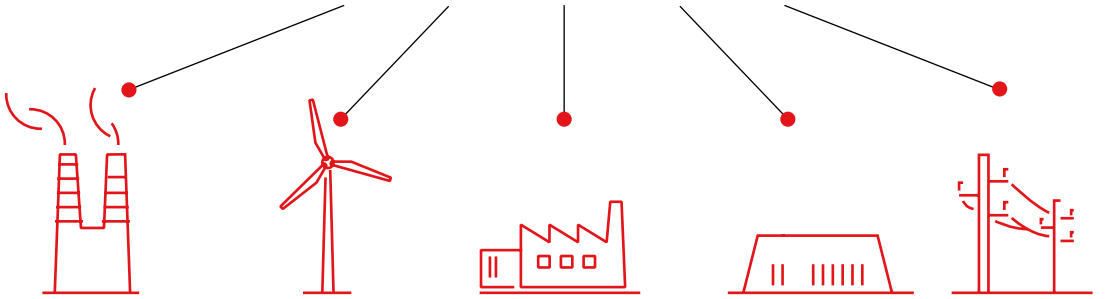
During the reporting period, the obligations imposed on the Transmission system operator by its licence were fulfilled through the following transmission networks:

Highest voltage (kV)	Number of substations (pcs)	Number of autotransformers and transformers (pcs)	Installed power (MVA)	Overhead cable and cable PTL (km)
330 kV	17	27	4,000	1,742.13
110 kV	123	246	5,231	3,870.78
Total	**140**	**273**	**9,231**	**5,612.91**

EU3

The Company provides electricity transmission system services to 19 CUSTOMERS **whose electrical installations are directly connected to the electricity transmission network, including**

DURING THE REPORTING PERIOD, **5,961 GWH** OF ELECTRICITY WAS TRANSMITTED TO USERS IN LATVIA.



5 thermal power plants (Including 4 gas and 1 biomass)

1 Wind park (orig. – Vēja parks)

4 consumers connected to the transmission system

3 hydropower plants

6 distribution network companies

MAINTAINING AND DEVELOPING THE ELECTRICITY MARKET

In Latvia, the legal basis for the operation of the electricity market is the Electricity Market Law, which stipulates that the transmission system operator must promote the operation of the internal electricity market and cross-border trade by performing its functions, including supporting the development of electricity exchanges.

Latvia is a part of the European Union's (EU) single internal electricity market, which operates in accordance with the principles of EU policy and legislation. The integration of the Latvian electricity market into the EU market began in 2009, when the *Baltic Energy Market Interconnection Plan* (BEMIP) was approved.

The Latvian electricity market is directly integrated with the Baltic and Nordic countries, but the retail market is organised at a national level.

Given the volatility of electricity prices, electricity market participants can limit the risk of price volatility with financial instruments.

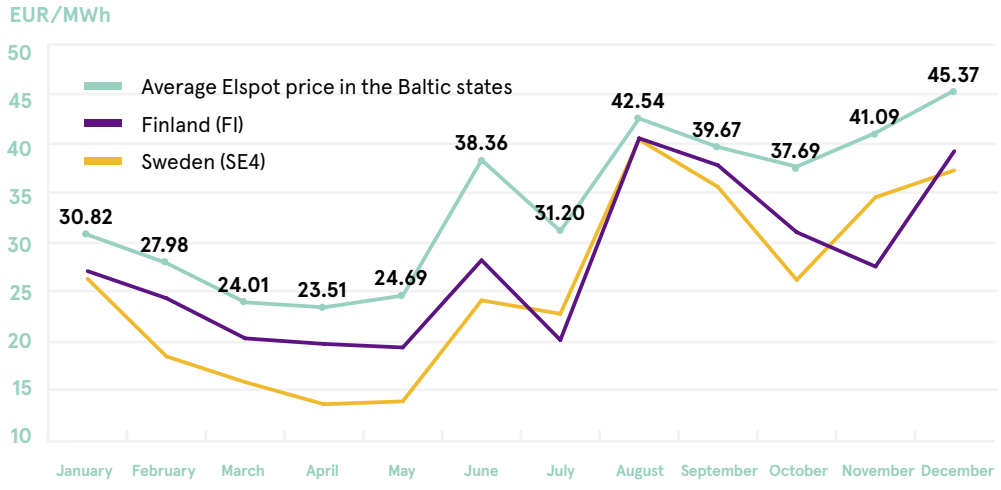
There are two electricity trade risk mitigation instruments available in Latvia (financial market):

- NASDAQ energy products – hedging against price differences between trading areas (EPAD);
- *Financial Transmission Rights (option)* on the Estonian–Latvian border, provided by AST in cooperation with AS Elering, see more in the section PTR-Limited auctions.

All trade transactions (both wholesale and retail) are not only related to the commercial interests of market participants, but also play an important role in ensuring the balance of the system.

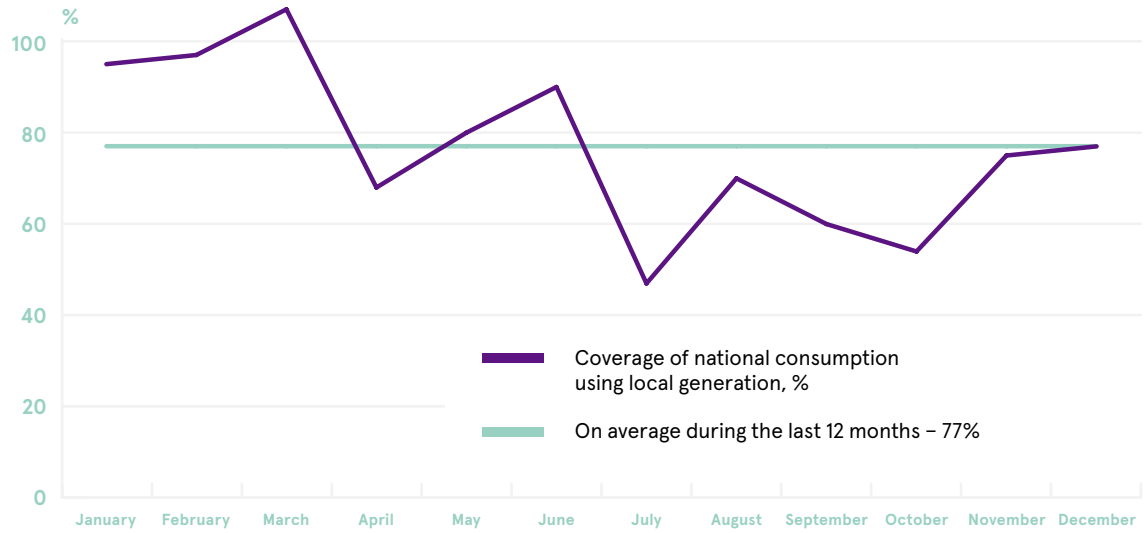
In 2020, the average electricity exchange price in the Latvian area decreased to 34.05 EUR/MWh; in comparison with 2019, the price decreased by 26%.

AVERAGE ELECTRICITY PRICES IN THE BALTIC STATES AND THE NORDIC ELSPOT TRADE AREAS IN 2020, EUR/MWh

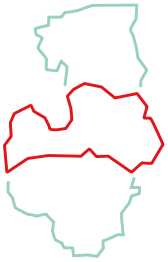


AVERAGE ELECTRICITY PRICES IN THE BALTIC STATES AND THE NORDIC ELSPOT TRADE AREAS IN 2020, EUR/MWh

In 2020, 77.7% OF LATVIA'S TOTAL ELECTRICITY CONSUMPTION WAS COVERED by domestic electricity sources, which is a DECREASE OF 7.46% percentage points compared to 2019.



INTERCONNECTIONS WITH NEIGHBOURING STATES



By comparing the monthly electricity hour price between Latvia and Estonia, it can be concluded that the prices were equal to 95% of the annual number of hours, while in 2019 the prices were equal to 94% of all the hours of the year.

Comparing the monthly electricity hour price between Latvia and Lithuania, it can be concluded that in 2020, the prices were equal to 98% (97% in 2019) of all the hours of the year.

Since the Baltic states are integrated into the common European electricity market, Latvia, like any other European country, is not able to significantly influence the wholesale market electricity prices, as prices are based on the principles of a free, transparent electricity market.

Integration into the single European electricity market not only provides access to cheaper Nordic electricity, but also contributes to greater price volatility caused by weather conditions in other European countries.

DEVELOPMENT OF THE ELECTRICITY TRANSMISSION SYSTEM

The decision of the PUC Council of 20 October 2020 "On the Development Plan of the Electricity Transmission System" approved the development plan of the electricity transmission system developed by AST for the period from 2021 to 2030.

THE DEVELOPMENT PLAN HAS BEEN DEVELOPED IN ACCORDANCE WITH AST'S STRATEGIC GOAL – strengthening Latvia's energy security by synchronising the Latvian electricity transmission network with the continental European network, observing compliance with the principles of security and cost-effectiveness.

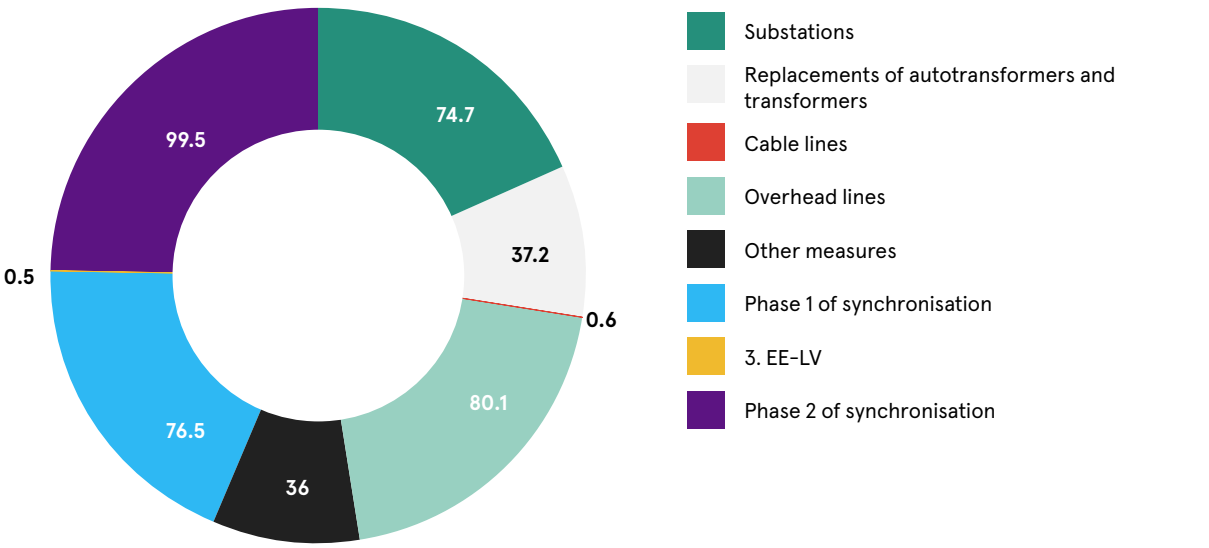
The approved Development Plan determines the development of the transmission system and the necessary financial investments in the transmission infrastructure for the next 10 years, envisaging the INVESTMENT of EUR 405 million in the development of the electricity transmission system, including EU co-financing of EUR 177 million and EUR 37 million revenue from congestion charges. Both above sources of capital investment financing, which together account for 53% of the planned investments over the next 10 years, reduce the impact of realised capital investments on the electricity transmission tariff, as assets financed from EU co-financing or congestion fee revenues are not included in the calculation of electricity transmission tariffs.

Development of the Electricity Transmission System

To minimise the impact of the planned capital investments on electricity transmission tariffs, AST has successfully attracted EU co-financing for projects of common European interest included in the Development Plan, including:

- Third 330 kV interconnection Estonia – Latvia – EU co-financing of up to 65% of eligible costs, or EUR 63 380 thousand.
- The Project "Synchronisation of the Baltic Power System with the Trans-European Network, Phase 1" – EU co-financing of up to 75% of eligible costs, or EUR 57,750 thousand.
- Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 2" - EU co-financing of 75% of the eligible costs or EUR 55,500 thousand has been attracted for urgent projects of Phase 2 of 2020.

INVESTMENTS ENVISAGED IN THE DEVELOPMENT PLAN, million EUR



PROGRESS IN 2020 AND KEY DEVELOPMENT EVENTS IN THE NEXT TEN YEARS TO COME

Implementing the policy of the European Union regarding the single electricity market, the strategic direction of AS Augstsprieguma tīkls is focused on the development of electricity and ancillary service markets and integration into European markets. Over the coming years, IT IS PLANNED TO CONTINUE WORKING ON THE DEVELOPMENT AND IMPROVEMENT OF THE SINGLE EUROPEAN DAY-AHEAD AND INTRADAY MARKET. This will include new opportunities for participants in the European Union's internal electricity market, including Latvian and Baltic market participants. Currently, several projects are being launched, and upon their implementation market participants will have the opportunity to participate in the day-ahead and intraday market with 15 minutes' time resolution and work with energy and transmission power inclusive products, like the current day-ahead market.

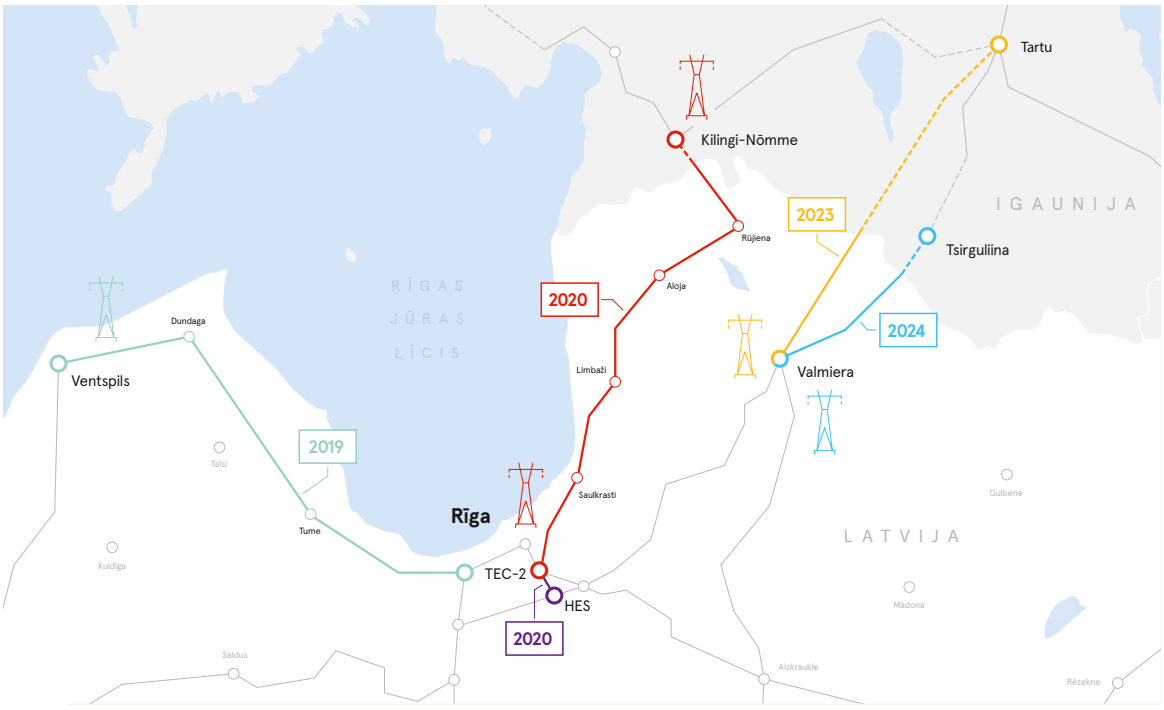
It is also planned to continue working on the establishment of the single European mFRR market platform and on the accession of the Baltic TSO to it, which will allow the Baltic balancing service providers to participate in the pan-European reserve market. To join the platform, several changes will have to be made to the operation of the pan-Baltic balancing model, the most important of which is to ensure the transition to the 15-minute balancing market period, which will allow electricity market participants to plan their operations more accurately and control system imbalances more effectively.

System Management and Electricity Market Development

The main challenges for the upcoming years will be related to the SYNCHRONISATION OF THE BALTIC STATES WITH CONTINENTAL EUROPE. On 28 June 2018, the Prime Ministers of the Baltic states and the President of the European Commission signed a synchronisation roadmap with the recommended next steps for synchronisation with continental Europe and de-synchronisation with the Russian unified electricity system.

On 14 September 2018, the European Commission supported the synchronisation of the Baltic states at the political level and recommended the initiation of the procedure for the synchronisation of the Baltic states with continental Europe.

On 22 May 2019, AS Augstsprieguma tīkls SIGNED AN AGREEMENT ON THE CONDITIONS OF THE FUTURE INTERCONNECTION OF POWER SYSTEM OF BALTIC STATES AND POWER SYSTEM OF CONTINENTAL EUROPE. Synchronisation of the Baltic states with continental Europe is expected by 2025. SYNCHRONISATION WILL RESULT in the Baltic electric power transmission system becoming part of the European system, meaning more independence from Russia and a more reliable electric power supply.



SYSTEM MANAGEMENT AND ELECTRICITY MARKET DEVELOPMENT

Carrying out the policy of the EU regarding the single electricity market, the Company's strategic goal to ensure Latvia's integration into the European electricity and ancillary services markets, AST is actively involved in the integration activities of European Union's internal electricity market in both the European Union and the Baltic region. The following is a summary of the most important activities and projects, in which AS Augstsprieguma tīkls is involved.

Development of system management

- **Establishment of a Baltic load frequency control unit and conclusion of a contract**

The objective of the project is to establish a common Baltic load frequency control unit to establish common principles in system management, to determine the required number of balancing reserves and common requirements for balancing capacity to the reserve suppliers. The project is planned to be implemented by the end of 2024.

- **Project for the harmonisation and adaptation of planning data to the requirements of continental Europe**

The aim of the project is to establish common procedures for the Baltic TSOs in accordance with the planning policy to achieve the implementation of the necessary methodologies, including the development and implementation of methodologies for the calculation of cross-border capacity. To develop changes to the data exchange procedures and to create new processes in the local systems in line with EU regulations. Implementation of the project is planned for the period from 2020 to 2024.

- **Project for arranging and implementing accounting and settlement processes in accordance with the requirements of continental Europe**

The aim of the project is to implement common continental European settlement rules for scheduled and unscheduled exchanges between synchronously connected TSOs in accordance with Articles 51 (1) and 50 (3) of the Electricity Balancing Guidelines, once this document has been developed by the continental European TSOs and approved by the relevant regulatory authorities. To ensure that all other relevant TSO – TSO, LFC areas and pan-European agreements comply with the requirements of continental European accounting and settlement processes. Implementation of the project is planned for the period from 2020 to 2024.

- **Project for arranging and implementing data exchange processes in accordance with the requirements of continental Europe**

Establish the data exchange requirements in line with the key organisational requirements, roles, and responsibilities (KORRR) set out in a joint proposal developed by all TSOs in the European Union and approved by the European regulatory authorities. Implementation of the project is planned for the period from 2022 to 2024.

- **Adaptation of system emergency and recovery procedures to the requirements of continental Europe**

The aim of the project is to streamline the emergency and recovery procedures of the system in accordance with the operational guidelines of the systems of continental Europe. The project is planned to be implemented by the end of 2024.

- **Conduct of the necessary research of the synchronisation agreement**

The aim of the project is to carry out the research specified in the Synchronisation Agreement. The project is planned to be implemented by the end of 2021 (see also Chapter 3.1 of the Strategy).

- **Implementation research activities in the system**

The aim of the project is to implement the measures specified in the research into the operation of the system. Implementation of the project is planned for the period from 2022 to 2024.

- **Preparation of the Baltic states for the test period of synchronous operation with the continental European networks**

The aim of the project is for the Baltic states to prepare for isolated operation after separation from BRELL and for synchronous operation with the continental European networks during the test period. The project is planned to be implemented by the end of 2024.

- **Ensuring the independent operation of the Baltic systems**

The aim of the project is to prepare for the independent operation of the Baltic systems by preparing a procedure in the case of emergency desynchronisation, to prepare procedures for the receipt of assistance from the Nordic countries for the provision of frequency and active power on DC connections, and to prepare a plan of measures to ensure long-term isolated operation. The project is planned to be implemented by 2025.

TRANSMISSION AND STORAGE OF NATURAL GAS

When executing the protocol decision of the Cabinet of Ministers of the Republic of Latvia of 26 May 2020 (Protocol No. 36, Paragraph 38) "Regarding the Use of the Pre-emption Right in the Transaction of the Alienation of Shares of AS Conexus Baltic Grid, on 21 July 2020, AS Augstsprieguma tīkls acquired 34.1% of the shares of AS Conexus Baltic Grid, and accordingly as of 21 July 2020, the Company owns 68.46% of the shares of AS Conexus Baltic Grid and has a decisive influence in the company.

Conexus is managed by AST in accordance with its Corporate Governance Policy, exercising its set of shareholder rights and obligations under the Law on Governance of Capital Shares of a Public Person and Capital Companies (hereinafter – PPKPL) and the Commercial Law, including appointing members of the supervisory board to represent shareholders' interests between shareholders' meetings and oversee the board.

The acquisition of participation in AS Conexus Baltic Grid will not negatively affect the tariffs of electricity transmission system services.

According to the AS Conexus Baltic Grid annual report of 2020, the profit of AS Conexus Baltic Grid for 2020 is EUR 13,111,806. In accordance with the announcement of JAS Conexus Baltic Grid of 12 April 2021 on convening the regular shareholders' meeting of AS Conexus Baltic Grid in 2021, it is planned to pay dividends of EUR 2.14 per share from the profit of the previous years. Considering the number of shares of JAS Conexus Baltic Grid owned by the Company, the Company will receive EUR 58,286 thousand. AS Conexus Baltic Grid Shareholders' Meeting was convened on 12 May 2021.

conexus BALTIC GRID

PERFORMANCE INDICATORS

102-46

102-47

IDENTIFICATION OF THE KEY SUSTAINABILITY ASPECTS

The content of the AST Sustainability Report is based on the economic, environmental, and social aspects relevant to the company and its interested parties. The essential aspects are determined in accordance with the GRI guidelines. The identification of key aspects and indicators to be identified can be divided into four stages. The evaluation of AST performance identified the key aspects of economic performance, the environment, employment and the working environment, society and product responsibility were identified by the evaluation from the point of view of AST's internal and external interested parties.

THE METHODOLOGY USED TO DETERMINE THE MATERIALITY OF THE ASPECTS INVOLVES FIVE STEPS:

1. IDENTIFICATION OF THE INTERESTED PARTIES – the identification of those organisations and undertakings that play a key role in the value-added process of AST.

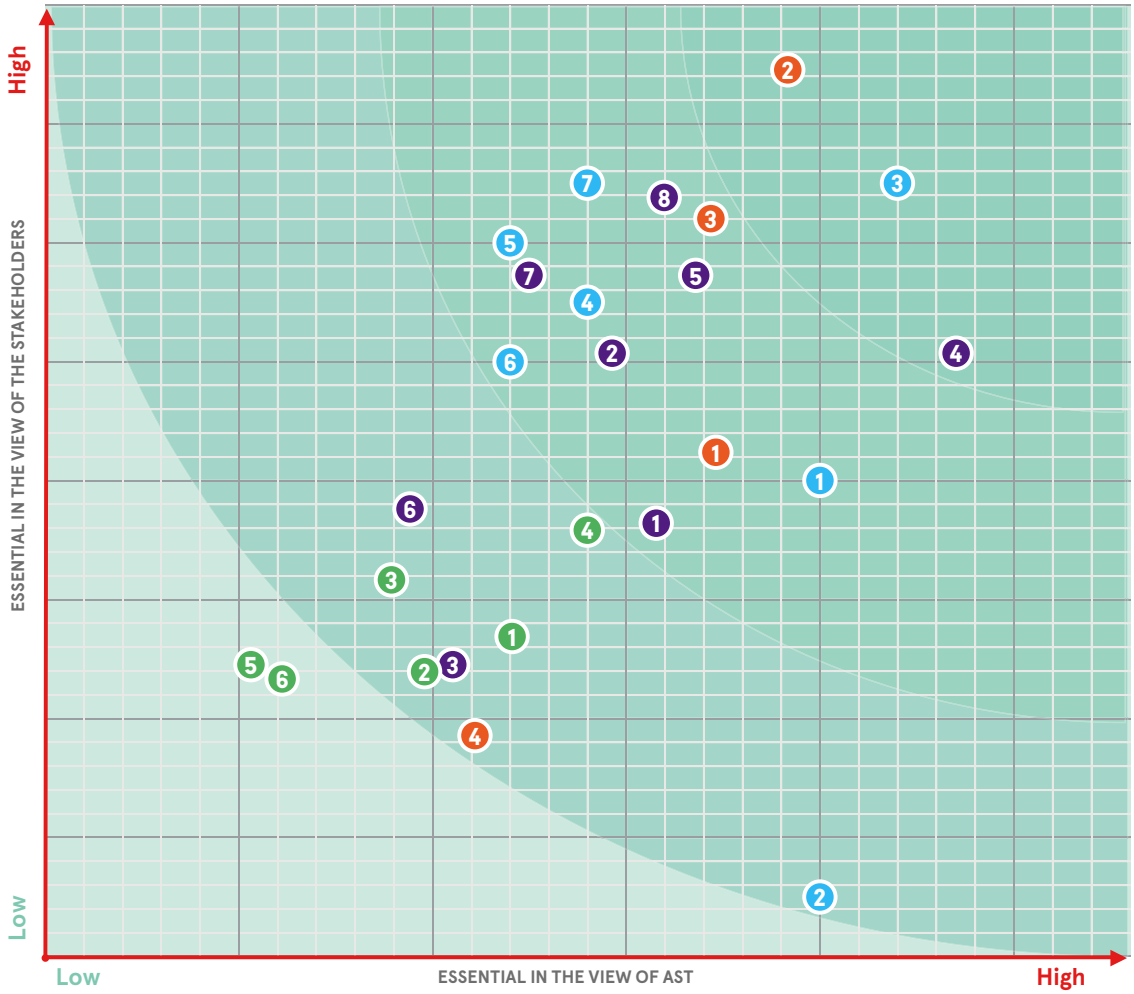
2. IDENTIFICATION OF POTENTIALLY RELEVANT ASPECTS – identification of the aspects mentioned in the guidance materials and selection of that which is most appropriate for the operation of AST.

3. IDENTIFICATION OF TRULY RELEVANT ASPECTS – assessment of the potentially significant aspects by identifying those that are the most important to both AST and the identified parties involved.

4. DETERMINATION OF MATERIAL ASPECTS – identification of the content of the report, identifying those that are most relevant to both AST and the identified interested parties.

5. REPORTING ON MATERIAL ASPECTS – creation of the content of the report: connection with the material aspects of the GRI Standards, description, and explanation of material aspects.

MATERIALITY MATRIX



ECONOMIC PERFORMANCE

1. Economic value created by the Company and performance in the national economy
2. Collective Agreement Obligations
3. Received (EU) funding and its importance
4. Volume of significant infrastructure development projects
5. Significant direct and indirect economic impact of AST procurement on other companies, regions, and the economy, as well as the prevention of corruption in the AST procurements
6. Research and Development Activities and Expenditure
7. Investments in reducing transmission losses by ensuring the short-term and long-term reliable availability of electricity

ENVIRONMENTAL CONCERNS

1. Materials and raw materials used
2. Energy Consumption and Energy Efficiency of the Company
3. Impact on biodiversity
4. Waste Management and Environmental Impact
5. Selection of new suppliers, considering their environmental and/or energy efficiency as a criterion
6. Greenhouse Gas Emissions and Water Pollution

EMPLOYEES AND THE WORK ENVIRONMENT

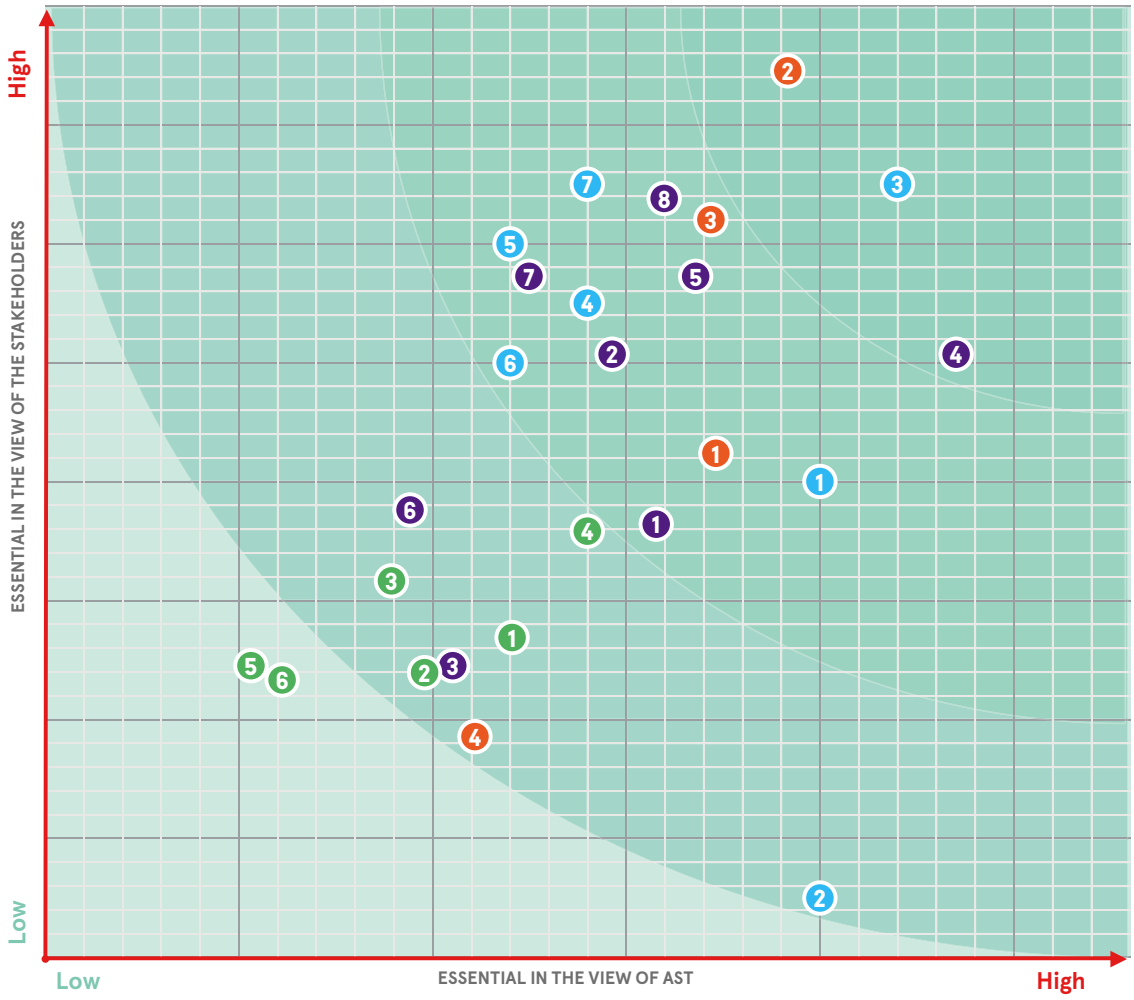
1. Work practices and decent work
2. Occupational safety of employees
3. Investments in employee succession
4. Employee diversification and non-discrimination

THE COMPANY

1. Political responsibility
2. Data protection
3. Land use rights
4. Service liability
5. Customer safety
6. Promotion of competition
7. Involvement In Sectoral Policymaking
8. Emergency management and response strategy

ECONOMIC RESPONSIBILITY

MATERIALITY MATRIX. ECONOMIC DIMENSION



KEY ASPECTS

- 3 Received (EU) funding and its importance

VERY IMPORTANT ASPECTS

- 1 Economic value created by the Company and performance in the national economy
- 4 Volume of significant infrastructure development projects
- 5 Significant direct and indirect economic impact of AST procurement on other companies, regions, and the economy, as well as the prevention of corruption in the AST procurements.
- 6 Research and Development Activities and Expenditure
- 7 Investments in reducing transmission losses by ensuring the short-term and long-term reliable availability of electricity

IMPORTANT ASPECTS

- 2 Collective Agreement Obligations

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201-1

MANAGEMENT APPROACH AND CONTRIBUTION TO THE NATIONAL ECONOMY

AS Augstsprieguma tīkls, as the only electricity transmission system operator in Latvia, makes a significant contribution to the growth of the Company and the economy both from the aspect of the volume of significant capital investment projects implemented and from the aspect of job creation.

In accordance with the assessment performed by Prudentia and Nasdaq Riga, in the TOP 101 of the most valuable companies in Latvia in 2020, AST is ranked 21st, and according to the corporate governance ratio – 1st.

AST, as the only electricity transmission system operator in Latvia, shall ensure the long-term reliable, high-quality, and uninterrupted availability of electricity, thus taking due care of the adequacy of the transmission infrastructure by implementing sustainable and well-thought-out capital investment projects. To ensure the highest possible efficiency, AST actively attracts EU co-financing to finance its capital investments, as well as redirects the available resources such as income from the congestion charges, thus ensuring the smallest possible impact of the implemented capital investment projects on the transmission tariffs.

To improve the efficiency of the Company's operations, based on the evaluation of cost optimisation opportunities, in 2020, a plan of measures to improve efficiency was approved.

The Company is one of the largest employers in the country. As of 31 December 2020, the Company has 539 employees. The Company takes care of its employees by providing contributions to the pension fund, as well as other benefits, thus contributing to the general welfare of society.

Thus, AS Augstsprieguma tīkls has a significant impact on the development of the national economy.

Economic responsibility, the economic value created by the Company and the performance in the national economy were noted as a particularly important area of influence by all the representatives of the impact parties interviewed by the Company as well.

To promote both its own and the industry's development and to take care of the interests of the employees, in 2020, the Company continued to actively participate in non-governmental organisations such as: ENTSO-E, the Latvian National Committee of the World Energy Council, the Latvian Association of Power Engineers and Energy Builders (LEEA), and the Latvian Association for People Management.

Financial results of AST indicate a sound financial position and development. Detailed information on the performance of Augstsprieguma tīkls Group and AST is available in the 2020 report.

201-1

ECONOMIC VALUE OF THE COMPANY AND PERFORMANCE IN THE NATIONAL ECONOMY

Augstsprieguma tīkls Group is one of the largest state-owned companies. The Group's balance sheet value is EUR 1,214 million, balance sheet value of AST - EUR 906 million. AST provides jobs for more than 550 residents of Latvia (as of 31 December 2020 AST had 539 employees).

AST, as the only transmission system operator in Latvia, is a significant driver of industry development and a driver of the Latvian economy, creating both direct and indirect effects. The economic value of AST is reflected in its financial performance. In 2020, net turnover of AST was EUR 147 million and profit - EUR 10 million. Also, by promoting employee motivation and loyalty to the Company, in 2020, the average salary of employees was increased in accordance with inflation in the country.

In 2020, the economic value generated by AST is EUR 154.2 million and the distributed economic value is EUR 115.0 million (see table).

The increase in profit as well as in the number of dividends was significantly affected by the merger with AS Latvijas elektriskie tīkli in 2020, as well as the acquisition of a decisive influence in AS Conexus Baltic Grid. The profit from the provision of the electricity transmission service corresponds to that allowed by PUC; its amount is related to the transmission system operator unbundling model implemented in Latvia.
AST is a public service provider and is supervised by the Public Utilities Commission. The amount of the allowed profit for AST is determined in accordance with the Electricity Transmission System Tariff Calculation Methodology, with the rate of return on capital set by PUC. The amount of AST profit corresponds to the amount of the allowable profit set by PUC.

The undistributed value represents 25.4% of the value created by AST and is used to invest in AST assets.

ECONOMIC VALUE GENERATED AND DISTRIBUTED BY AST

	2020 thousand EUR	2019 thousand EUR	2018 thousand EUR	2017 thousand EUR	2016 thousand EUR
Economic value created	**154,154**	**189,232**	**198,859**	**159,237**	**117,103**
Revenue and other proceedings	148,197	184,993	193,986	159,200	116,825
Revenue from financial operations	352	44	20	38	103
Income from participation	5,605	4,194	4,853	–	175
Economic value allocated	**115,003**	**182,270**	**196,363**	**157,727**	**115,982**
Raw materials, materials, and other operating costs	89,144	164,158	176,527	143,444	103,572
Employee reimbursement	16,711	16,230	15,667	13,764	11,959
Payment for the use of state capital risk	8,000	1,736	3,598	247	300
Costs for financing activities	1,147	1	421	24	–
State-imposed payments, including:	163	145	148	247	141
Corporate income tax	–	–	–	99	16
PUC fee	163	145	148	148	125
Donations	1	–	3	1	10
Economic value unallocated	**39,153**	**6,961**	**2,495**	**1,510**	**1,122**
Depreciation and amortisation	37,154	1,630	1,417	1,295	940
Savings and reserves	1,999	5,331	1,079	215	182
	74.6%	96.3%	98.7%	99.1%	99.0%
	25.4%	3.7%	1.3%	0.9%	1.0%

Retained earnings correspond to the share of profit for the reporting period, for which it has been decided to transfer such to reserves, depreciation, and deferred tax.

201-3

COLLECTIVE AGREEMENT OBLIGATIONS

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Contributing to employees by building a united, strong, and professional team is essential for caring for sustainable development. As a result of cooperation, a Collective Bargaining Agreement has been concluded between the Company and LAB Enerģija, which applies to all (100%) AST employees who have an employment relationship with AST. Understanding the importance of employees in achieving the Company's goals, in accordance with the provisions of the Collective Agreement, AST contributes to the pension fund for the benefit of employees upon retirement; a post-employment benefit is provided (for more information on the Collective Agreement, see "Employees and Work Environment").

In addition to the above-mentioned, AST takes care of the implementation of family-friendly principles in the Company – employees are paid an allowance when their children start school in first grade; in addition to the Labour Law, one additional week of leave is provided, employees with children are granted additional paid holidays, etc., thus not only promoting employee motivation and work ability, but also the general well-being of society.

By implementing equal treatment for all employees, the Company applies the conditions defined in the Collective Agreement, not only to the members of the trade union, but also to all (100%) employees of the Company.

AST is a shareholder (1.9%) of the pension fund Pirmais slēgtais pensiju fonds. AST contributes to the pension fund for the benefit of its employees, which are the members of the pension scheme. The pension fund manages the contributions made. Contributions to the pension scheme are the operating expenses of AST and are covered by its operating income. Contributions in favour of employees are made in the amount of 6% of employees' salaries.

In 2020, AST made contributions to the Pension Fund for the benefit of its employees in the amount of EUR 637 thousand.

In 2020, in accordance with the collective agreement, in addition to contributions to the Pension Fund, benefits were paid to employees in the amount of EUR 554 thousand.

Post-employment benefit applies to those employees who terminate their employment and are entitled to a state old-age or disability pension. The amount of the benefit depends on the length of time worked at AST – for each year of employment within the company, a benefit of one week's average salary is granted. In 2020, benefits were paid in the amount of EUR 317 thousand.

201-4

RECEIVED EU FUNDING AND ITS IMPORTANCE

To implement capital investment projects important for strategic goals and transmission network development as efficiently as possible, while minimising their impact on the electricity transmission system service tariffs, AST actively attracts EU co-financing to finance the capital investment projects, as well as allocates additional income from congestion charges (see table).

Thus, the allocation of EU co-financing and income from congestion charges to the financing of capital investment projects contributes to the maintenance of the competitiveness of Latvian companies.

In accordance with Paragraphs 17 and 18 of the Electricity Transmission System Service Tariff Calculation Methodology, the part of the value of fixed assets financed from European Union financial support, as well as the received income from the congestion charges shall not be included in the transmission tariff calculation.

Within the framework of the Energy Sector of the Connecting Europe Facility (CEF) from 2014 to the end of 2020, financing agreements have been concluded with the Innovation and Network Executive Agency (INEA) regarding the financing of 4 capital investment projects – "Kurzeme Ring", "Third Estonia – Latvia interconnection", 330 kV PTL Riga CHP 2 – Riga HPP, 2nd phase for the synchronisation of the Baltic states with continental Europe, envisaging total EU co-financing up to EUR 220 million (see table).

In addition, to finance these projects, it is planned to redirect the received congestion charge revenue of EUR 79.54 million.

As a result of the Company's activities, 80% of the financing required for the implementation of the development projects included in the European ten-year development plan is covered by EU co-financing and income from the congestion charges, thus reducing the impact on the electricity transmission system service tariffs.

	"Kurzeme Ring"	Estonia – Latvia inter-connection	Riga CHP-2 – Riga HPP	Valmiera (LV) – Tartu (EE)	Valmiera (LV) – Tsirgulina (EE)	Synchronisa-tion Phase 1 (including Valmiera lines and equip-ment)
Planned year of implementation	2019	2020	2020	2023	2024	2025
Approved total costs, including:	127.7 MEUR	EUR 102.4 million	EUR 19.98 million	EUR 23 million	EUR 22 million	EUR 77 million
EU co-financing	55.1 MEUR	EUR 63.4 million	EUR 9.99 million	Planned up to 75%	Planned up to 75%	An agreement for 75% or 57.8 MEUR has been concluded
Income from congestion charges	11.5 MEUR	EUR 30.6 million	EUR 7.2 million	Up to 49% of the part financed by Latvia is planned	Up to 49% of the part financed by Latvia is planned	EUR 18.5 million
Total length	214.3 km	180 km	13 km	49 km	49 km	

203-1

203-2

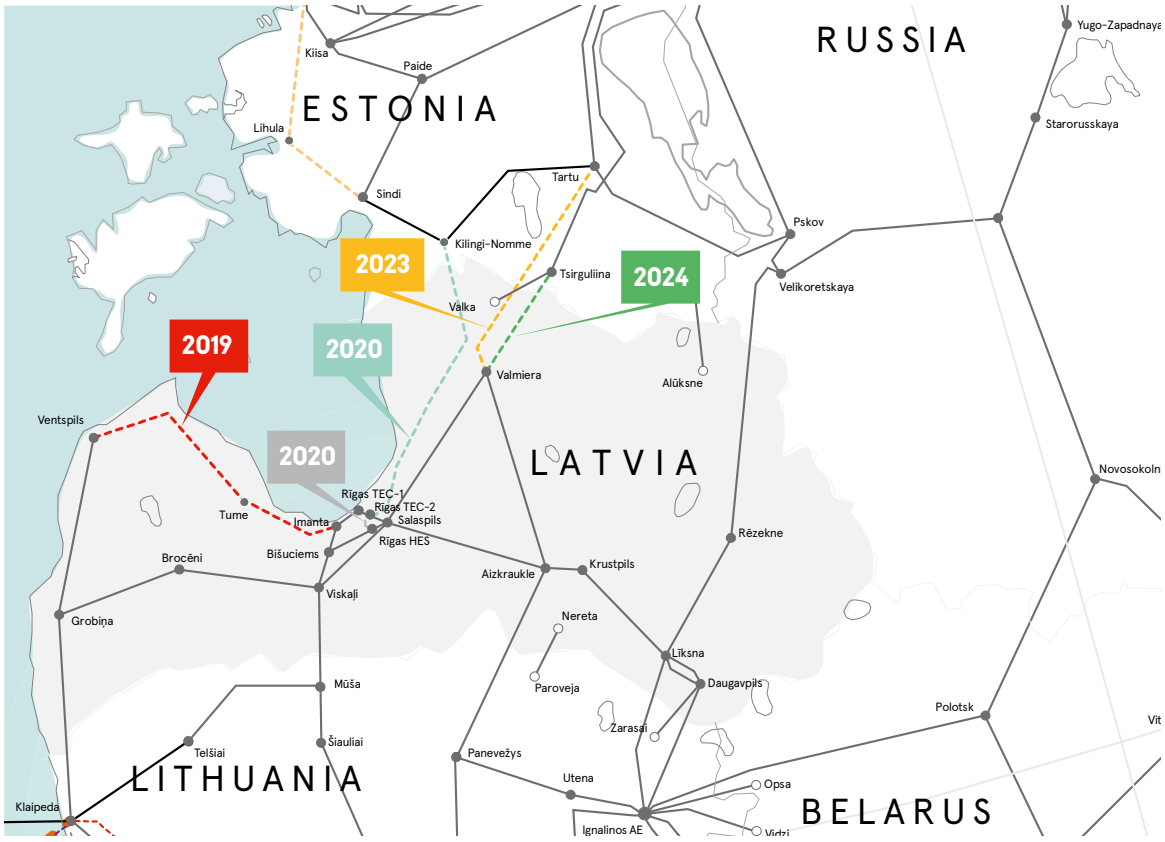
INDIRECT ECONOMIC IMPACT OF INFRASTRUCTURE DEVELOPMENT PROJECTS

The electricity transmission network is being developed in accordance with the Latvian electricity transmission system development plan and the European transmission system ten-year development plan. The European Ten-Year Development Plan includes those Latvian development projects that are strategically important not only nationally, but also in the Baltic Sea Region as a whole, and inclusion in the European Ten-Year Development Plan is one of the preconditions for the projects to be eligible for European co-financing (see section "Development of the electricity transmission system").

The European Ten-Year Development Plan includes projects that are closely related to strengthening Latvia's energy security by integrating into the EU electricity market (for a detailed description, see the section "Development of the electricity transmission system").

At the same time, the development of international connections is essential for the prevention of congestion of the transmission network on the Estonian – Latvian border, thus contributing to the reduction of the electricity exchange price in the Latvian trade area and the development of the Latvian economy and competitiveness.

The implementation of the projects included in the European Ten-Year Development Plan, as well as other projects included in the Development Plan, not only improves the quality and continuity of the electricity transmission system service, but also promotes the development of the national economy and regions of Latvia by creating additional jobs.



SIGNIFICANT DIRECT AND INDIRECT ECONOMIC IMPACT OF AST PROCUREMENT ON OTHER COMPANIES, REGIONS AND THE ECONOMY AS A WHOLE, AS WELL AS THE PREVENTION OF CORRUPTION IN AST PROCUREMENTS

AST, as a public service provider, organises procurement procedures in accordance with the Law on the Procurement of Public Service Providers of the Republic of Latvia. It is essential for AST to ensure high cost-effectiveness, therefore, one way to achieve it is to maximise fair competition.

In addition to the above legal requirements, procurement procedures are organised in accordance with the internal procedures and arrangements of AST, ensuring the transparency of procurement procedures and preventing the risk of corruption.

In cases when procurement procedures are organised and the contract prices defined are not in accordance with the Cabinet of Ministers Regulation of 28 February 2017 No. 105 "Rules on the contract price limits for public procurement", the AST internal rules "Basic rules for procurement procedures" shall be applied.

In procurement procedures, AST shall, where possible, follow the principles of green procurement (in addition to the price of the goods or services, life-cycle costs or elements of the life-cycle costs are assessed, including, e.g., acquisition costs, operating costs (e.g., electricity and other resources), maintenance costs, end-of-life costs (e.g., collection and recovery costs). AST complies with Cabinet Regulation of 20 June 2017 No. 353 "Requirements for Green Public Procurement and Procedures for its Application". The groups of goods and services listed in Annex 1 to the Regulations, to which the green public procurement is mandatory.

Procurement organisation with the public service provider in accordance with the Public Procurement Law takes place in the electronic procurement system (EIS) of the State Regional Development Agency, in the e-tender subsystem www.eis.gov.lv.

As a result, the procurement regulations have been revised, with the main goal being to set the standard procurement regulations, effective coordination of tasks to be performed in the procurement processes, as well as optimising time resources for efficient use in the interests of AST, as well as improving the competence of the Procurement Commission.

At the national level, in 2020, the Company independently and through its shareholder (Ministry of Finance) and the Ministry of Economics, prepared and promoted amendments to the Energy Law and the Electricity Market Law. The amendments to the Energy Law were related to the strengthening of AST's status as a strategically important economic object for the state, while the amendments to the Electricity Market Law were related to the changes in the regulation of guarantees of origin, establishment of a national data centre and changes in the definition of electricity trader. AST also submitted proposals for amendments to the Protection Zones Law and, in accordance with the requirements of the Electricity Market Law, prepared and submitted the amendments to the Network Code in the electricity sector related to the opening of the Baltic balancing market to PUC for approval.

At the EU level, AST, in fulfilling its obligation under the Electricity Market Law to promote electricity market integration, actively worked on the implementation of the European Network Codes, developing national rules and methodologies, and fulfilling its responsibilities within the Baltic Capacity Calculation Region by drafting relevant documents. AST also participated in the development of relevant rules and methodologies within the framework of ENTOS-E coordination. In addition, AST followed the European Union's initiatives by providing an opinion to the Ministry of Economy regarding the draft internal market directive and regulation included in the Clean Energy Package.

205-3

CONFIRMED CASES OF CORRUPTION AND MEASURES TAKEN

No cases of corruption were detected in AST during the reporting period. According to the results of the risk assessment, the risk of fraud and corruption in the company is adequately managed. Internal regulations, which govern the employees' activities and determine the scope of powers, as well as ensure that the risk of fraud and corruption is limited.

205-1

205-3

CORRUPTION RISK MANAGEMENT

Fraud, corruption, and conflict of interest risk management in AS Augstsprieguma tīkls takes place in accordance with the requirements of the operating regulations NOP-1-024 “Fraud and Corruption Risk Management Regulations”.

AS Augstsprieguma tīkls observes the principles of honesty very responsibly, which is confirmed by fraud, corruption, and conflict of interest risk management in the Company. The risk assessment process considers the employee's involvement in processes where the employee's misconduct may occur.

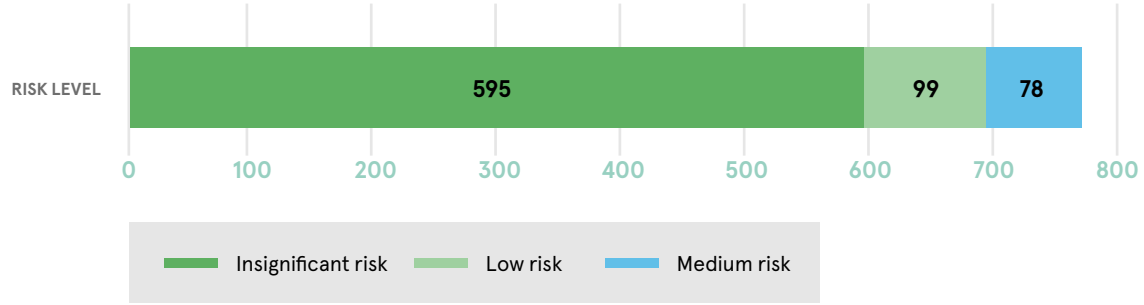
DEGREES OF THE RISKS OF FRAUD, CORRUPTION, AND CONFLICTS OF INTEREST IN 2020

Risks of fraud, corruption and conflicts of interest are assessed for all structural units of the Company, as well as for all positions. Risks are also grouped by function groups if the potential risks are commensurate.
In 2020, total of 1 structural unit, 159 function groups, 772 risk expressions were assessed. No risks with a high or critical residual risk value have been identified.

The set of fraud, corruption, and conflict of interest risk monitoring measures, which includes declarations of conflicts of interest of AST employees for 2020, monitoring of AST employees’ data in Lursoft databases, monitoring of internal and external environment, indicates that AST employees comply with the requirements set by the Company in the field of fraud, corruption, and conflict of interest risk management.

In 2020, internal training on fraud, corruption, and conflicts of interest was implemented for all employees, using IT solutions that allowed remote access to the training materials.

DEGREES OF THE RISKS OF FRAUD, CORRUPTION, AND CONFLICTS OF INTEREST IN 2020



INNOVATION AND RESEARCH

To ensure the development of the Company, the Company's representatives, understanding the essential role of innovation in ensuring successful operation, actively participate in the work of the ENTSO-E Research, Development, and Innovation Committee. Within the ENTSO-E Research, Development and Innovation Committee, activities are carried out, which are aimed at changing existing electricity systems to achieve the goals set by the European Union.

ACTIVITIES ARE FOCUSED ON FIVE DIRECTIONS

1. Modernisation
2. Reliability and stability
3. Flexibility
4. Economy and efficiency
5. Digitisation

Innovation and research during integration into the EU electricity market

One of the most important Company's challenges and strategic goals is to strengthen the energy security of Latvia by synchronising with the continental European networks and integrating into the EU electricity market. In pursuit of the above goal, the Company, in cooperation with Lithuanian and Estonian TSOs, carries out the following development and research activities:

- *Transient stability analysis study with full dynamic model*, including the latest validation results of Baltic TSO stations, as well as the pan-European dynamic model;
- *Oscillatory stability study* with a full dynamic model;
- Detailed *Island operation study of Baltic power systems;*
- Study on the *development and implementation of a frequency stability assessment system* (FSAS);
- *Study to identify the technical specification of Load frequency controller (LFC) implementation.*

The above-mentioned development and research activities performed by the Company result from the agreement on the connection of the Baltic electricity systems concluded between the Baltic and European TSOs on 27 May 2019, which identified the technical measures to be performed by the Baltic TSOs by 31 December 2025. The Company has been approved as the leading Baltic TSO in the implementation of these measures and is responsible for the organisational side of the research process.

In addition to the above-mentioned research related to the integration into the EU internal electricity market, AS Augstsprieguma tīkls participates in three (3) research and innovation projects with co-financing within the support programme Horizon 2020.

- *EU-SYSFLEX* PROJECT, full title "European system with effectively coordinated use of flexibility to integrate more RES". The aim of the EU-SysFlex project is to develop a roadmap for the integration of various load management and demand response services in the European electricity market. By participating in the *EU-SysFlex* project, AS Augstsprieguma tīkls will have the opportunity to use the deliverables developed during the project and to promote

the improvement of the Company's employees' knowledge on data exchange and electricity flexibility resources (e.g., demand response).

- *INTERRFACE* PROJECT, in full title "TSO-SSO-end-user interconnection to promote innovative network services for an efficient energy system". The overriding objective of the *INTERRFACE* project is to develop a single pan-European IT architecture that will connect various electricity market platforms, involving all participants in the European electricity supply chain, and will ensure the coordinated use of ancillary services by transmission and distribution system operators. By participating in the *INTERRFACE* project, AS Augstsprieguma tīkls will have the opportunity to use the deliverables developed during the project, to try out the developed solution and to promote the improvement of the Company's employees' knowledge of common IT architecture, data exchange and electricity flexibility resources.

- *ONENET* PROJECT, in full title "TSO-SSO-end-user interconnection to promote innovative network services for an efficient energy system – one network for Europe". The overriding objective of the *OneNet* project is to develop a single pan-European IT architecture that will connect various electricity market platforms, involving all participants in the European electricity supply chain, and will create synergies, as well as will ensure the coordinated use of ancillary services by transmission and distribution system operators for efficient joint electricity management, thereby ensuring efficient overall electricity management and supporting the integration of renewable energy sources and the stability of the European electricity system. The project uses experience from other similar Horizon 2020 projects (*EU-SysFlex*, *INTERRFACE*, *CoordiNet,* etc.), thus developing an improved solution with the minimal level of technological development – 8. By participating in the *OneNet* project, AS Augstsprieguma tīkls will have the opportunity to use the deliverables developed during the project, to try out the developed solution and to promote the improvement of the Company's employees' knowledge of common IT architecture, data exchange and electricity flexibility resources. Innovation and research in the transmission network operation. Following the strategic direction of society towards digital transformation, introducing innovative technologies, the construction of a digital substation (pilot project) is planned. Although no precise definition of the term 'digital substation' is available, it is understood by most energy companies and electrical equipment manufacturers as a substation where equipment exchanges information over a data network rather than a cable network.

In 2020, AST participated in the HITACHI and ABB survey regarding the construction of digital substations. 27 electricity system operators participated in the survey. Of all operators, 63% answered that this type of substation will be the first, 37% – that such a substation has already been built. Regarding the construction of a digital substation in the future, 81% of respondents answered that such a substation is planned to be built in the next three years. The majority (63%) of the respondents plans to create digital substations by reconstructing the substations. With the construction of a digital substation, it would be possible to reduce equipment construction costs and reduce equipment maintenance costs in the future. To improve the work efficiency indicators, it is planned to start research in the Strategy planning period on: the use of unmanned aerial vehicles or aircraft during the inspection of the transmission network and emergency works, thus, the potential benefit is to increase the efficiency of service personnel; possibilities of using "high-temperature" wires, i.e., the potential benefits are the reduction of overhead line reconstruction costs, reduction of electricity losses in the line; use of more environmentally friendly high-voltage "green" equipment in the substations – it is planned to conduct research on the possible applicability of "green" equipment when constructing or rebuilding substations, potentially reducing the impact of substation equipment on the environment. AST also cooperates with the research institutions in Latvia, mainly Riga Technical University (RTU) and the Institute of Physical Energy (PEI).

In respect of research, AST attracts RTU and PEI experts for the commencement of the studies on a competitive basis; in 2020, AST did not use the research services of the institutions, but AST experts took part in some of the RTU projects as experts in the energy sector. In addition, in 2020, AST representatives participated in some conferences and seminars on energy sector development trends. The latest information on scientific and technical innovations in the energy sector is also obtained from the ENTSO-E Research Innovation and Development

Committee, where AST representatives participate as full members and the adaptation of innovation practices in the energy sector worldwide is discussed in Latvia.

One of the most important challenges and strategic goals of AST is to strengthen the energy security of Latvia by integrating into the EU electricity market. Implementing the set strategic goal, the following development and research measures have been implemented:

- **Research of the isolated activity of the Baltic states**

The feasibility study for the isolated activity of the Baltic electricity systems was carried out with the help of 50% European co-financing from the *Connection Europe Facility* (CEF). The study was started in January 2017 and was completed in August of the same year, analysing the capacity adequacy of the Baltic electricity systems while operating in isolated mode. The study was carried out in cooperation with all three transmission system operators of the Baltic states, dividing the remaining costs (the remaining 50%) related to the study into three equal parts.

The study was carried out in the synchronisation project with continental Europe, with the possibility of desynchronisation from Russia within the framework of the unified electricity system. The study defines technical regulations and guidelines to prepare for and to conduct a test of the Baltic power systems operating in isolated mode. The guidelines provide an overview and timeline of the additional investment, research and training required to prepare for the isolated activity test.

- **Study of dynamic stability of Baltic electricity systems**

To test the possible synchronisation of the Baltic states to the European continental network for different possible synchronisation scenarios, the Baltic and Polish TSOs agreed to conduct a joint study of the dynamics. The aim of the study is to examine the changes in the stability of the European electricity transmission network after the connection of the Baltic electricity transmission systems to the European networks.

The total costs of the study are planned to be EUR 210 thousand. The project has attracted EU co-financing of 50% from CEF structural funds; the remaining 50% will be covered by the transmission system operators of the Baltic states and Poland, dividing the costs into four equal parts.

In addition to the above-mentioned studies related to integration into the EU internal electricity market, the study "A European system with effectively coordinated use of flexibility to integrate a higher share of RES" is being carried out (*EU-SysFlex* project).

The aim of the EU-SysFlex study is to develop a roadmap for the integration of various load management and demand response services in the European electricity market.

The participation of AS Augstsprieguma tīkls in the *EU-SysFlex* project will promote the improvement of the company's employees' knowledge in data exchange and flexibility (e.g., demand response) issues, as well as will provide an opportunity to cooperate with energy sector experts. By participating in the *EU-SysFlex project* , AS Augstsprieguma tīkls will have the opportunity to use the deliverables (as well as the intermediate results) developed during the project. This knowledge and the results will be useful in developing the initiatives of AS Augstsprieguma tīkls in connection with the centralisation of electricity market data and the promotion of system flexibility. The development of this study has been co-financed under the Horizon 2020 support programme.

In accordance with the Transmission System Development Guidelines for 2016-2020, to increase the effectiveness of the existing volumes and costs of operation, it is planned to evaluate the possibilities of new technologies using drones or helicopters.

For all research related to international projects, the development of strategic development projects or, for example, the synchronisation of the Baltic electricity systems with continental Europe, AST seeks to attract co-financing from European support programmes or European Structural Funds. For example, in 2017, 50% co-financing from CEF Structural Funds was attracted for the study of isolated activity and the study of dynamic stability, which were related to the development of the synchronisation project. Research is usually carried out with the help of an independent consultant, without carrying out this type of work with internal resources, mainly to avoid conflicts of interest. The research is related to the development of the electricity system and transmission network, issues of increasing safety and stability, as well as the calculation of technical and economic benefits for transmission network projects.

EU12

TRANSMISSION LOSSES AND RELIABILITY OF ELECTRICITY

INVESTMENTS IN REDUCING ELECTRICITY TRANSMISSION LOSSES

In 2016, to improve the company's energy management, an energy management system was developed, implemented, and certified on 13 May 2016 in accordance with the requirements of the standard ISO 50001:2011, thus expanding the integrated management system implemented by AST.

The Energy Efficiency Policy of the Company is aimed at continuously improving the Company's energy performance by reducing technical and technological losses, improving the operational energy consumption of the Company's facilities, and improving the Company's vehicle purchasing and utilisation strategy.

The main principles to be followed in addressing the Company's energy performance issues are:

- the Company implements projects for the renewal and modernisation of the transmission equipment and facilities to ensure the reliability of electricity transmission and the required transmission volumes, considering the possibilities of optimising technological losses;
- the Company implements replacement projects for transformers and autotransformers to ensure the reliability of electricity transmission and the required transmission volumes, considering the possibilities to reduce the technical losses;
- the Company is constantly improving the energy efficiency indicators of economic activities and economic objects;
- the Company performs energy resource accounting and analysis to develop effective energy performance improvement measures;
- As far as possible, the Company carries out procurements, because of which the obtained products and/or services are energy efficient and improve the Company's energy performance.

A lower share of losses and technological consumption also means lower costs and at the same time less impact on the electricity transmission system service tariffs.

One of the indicators characterising the efficiency of the transmission segment is the percentage of electricity transmission losses in relation to the total energy received in the network. In 2020, this indicator is 2.3% (see table).

Activities performed in 2020 within the framework of the Energy Management Programme:

- Five power transformers have been replaced (including KPs, whose replacement was started in 2019) in accordance with the ten-year development plan of the transmission network. The purchase of transformers was carried out in accordance with the principles of green procurement and in compliance with the requirements of Commission Regulation (EU) No. 548/2014. The total calculation of energy gain in 2020 over the life cycle is 111,533 MWh.

Technological captive consumption (excluding consumption in shunt reactors and condensers):

- The total listed technological captive consumption for substations in 2020 is 7,530,079 kWh, which is 6% less than the technological captive consumption in 2019, i.e., 8,039,050 kWh. Consumption was affected by the implemented energy efficiency principles in AST: revised and optimised use of premises, revised and reduced indoor microclimate, revised, and optimised work planning, other implemented energy efficiency measures, as well as Covid-19 affected consumption.

Economic consumption:

- The total listed economic captive consumption at AST facilities (excluding the electricity consumption of the administrative and technical base "Jāņciems" of AST) in 2020 is 1,173,987 kWh, which in comparison to 2019 (1,459,974 kWh) is 18.8% less.

The economic electricity consumption listed in the administrative and technical base of AS Augstsprieguma tīkls "Jāņciems", 86 Dāzciema Street, Riga, in 2020, is 946,725 kWh, which in comparison to the electricity consumption of 2019 (1,023,093 kWh) is 7.5% less, respectively, the consumption in 2019 is 1% lower than in 2018 (1,092,707 kWh).

Energy efficiency assessment of facilities.

A total of 139 technological buildings were inspected and assessed (control rooms, closed switchboards, shunt reactor switchboard buildings, etc.). The assessment was performed by inspecting the building within the framework of the IMS internal audit, as well as summarising the available information on the heat resistance of building structures in accordance with K-5/1-120 "Procedure for energy efficiency assessment of AST technological buildings".

In accordance with the 'AS Augstsprieguma tīkls Energy monitoring procedures' and 'AS Augstsprieguma tīkls Procedure for the assessment of the energy efficiency of technological and economic objects', in 2020, 48 substations were

assessed, as well as all 13 administrative technical bases of the substation service group and 6 administrative technical bases of the line service (in Valmiera, Daugavpils, Brocēni, Krustpils, Grobiņa and Rīga).

This assessment, in addition to the technical assessment, included the "Criteria for Assessing the Necessity of Renovation and Reconstruction of Latvian 330/110 kV Transmission System Objects", will give a description of the energy efficiency indicators of the buildings and objects.

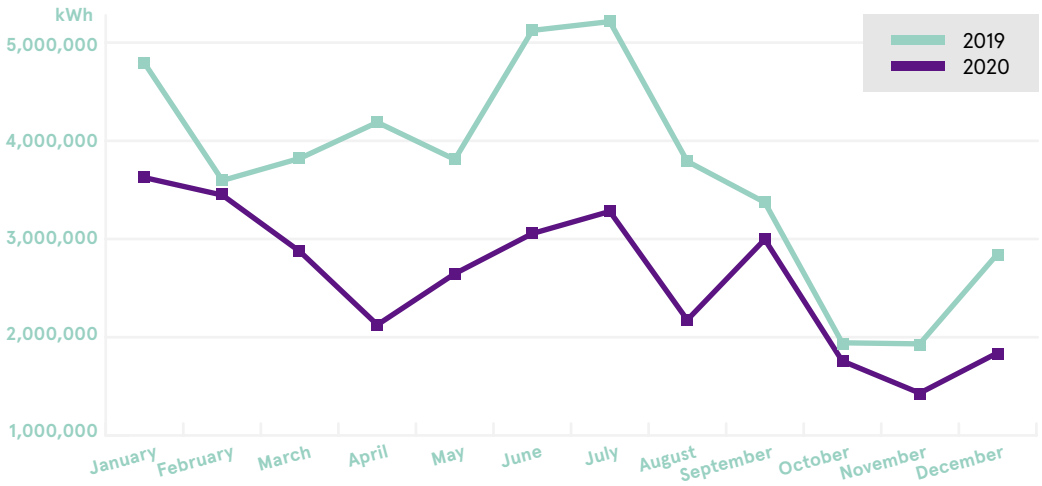
The total transit losses recorded in 2020 are 31,277,793 kWh, which is 29.6% less than the transit losses of 44,425,582 kWh in 2019.

The transmission losses attributed to Latvia and listed together (losses in the 110/330 kV network) in 2020 are 114,899,961 kWh, which in relation to the losses of 2019 (142,294,717 kWh) are 19.3% lower for the listed transmission losses.

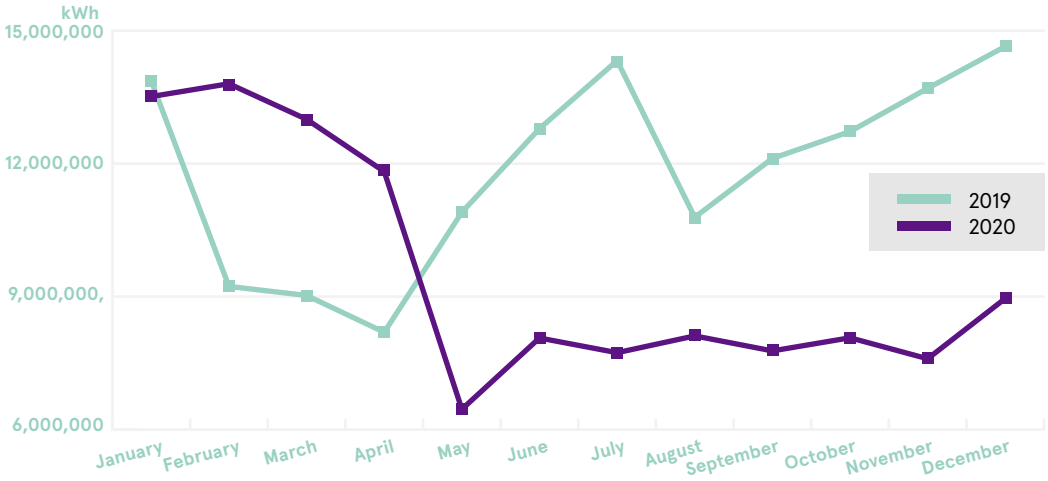
TRANSMISSION LOSSES, SHARE OF THE TECHNOLOGICAL CONSUMPTION IN % OF ELECTRICITY RECEIVED IN THE NETWORK

	2020	2019	2018	2017
Electricity received in the transmission network, MWh	8,709,831	9,741,621	10,543,917	10,167,961
Transmission losses, technological consumption, MWh	200,315	235,530	227,295	223,792
Proportion of losses, technological consumption, %	**2.3%**	**2.4%**	**2.2%**	**2.2%**

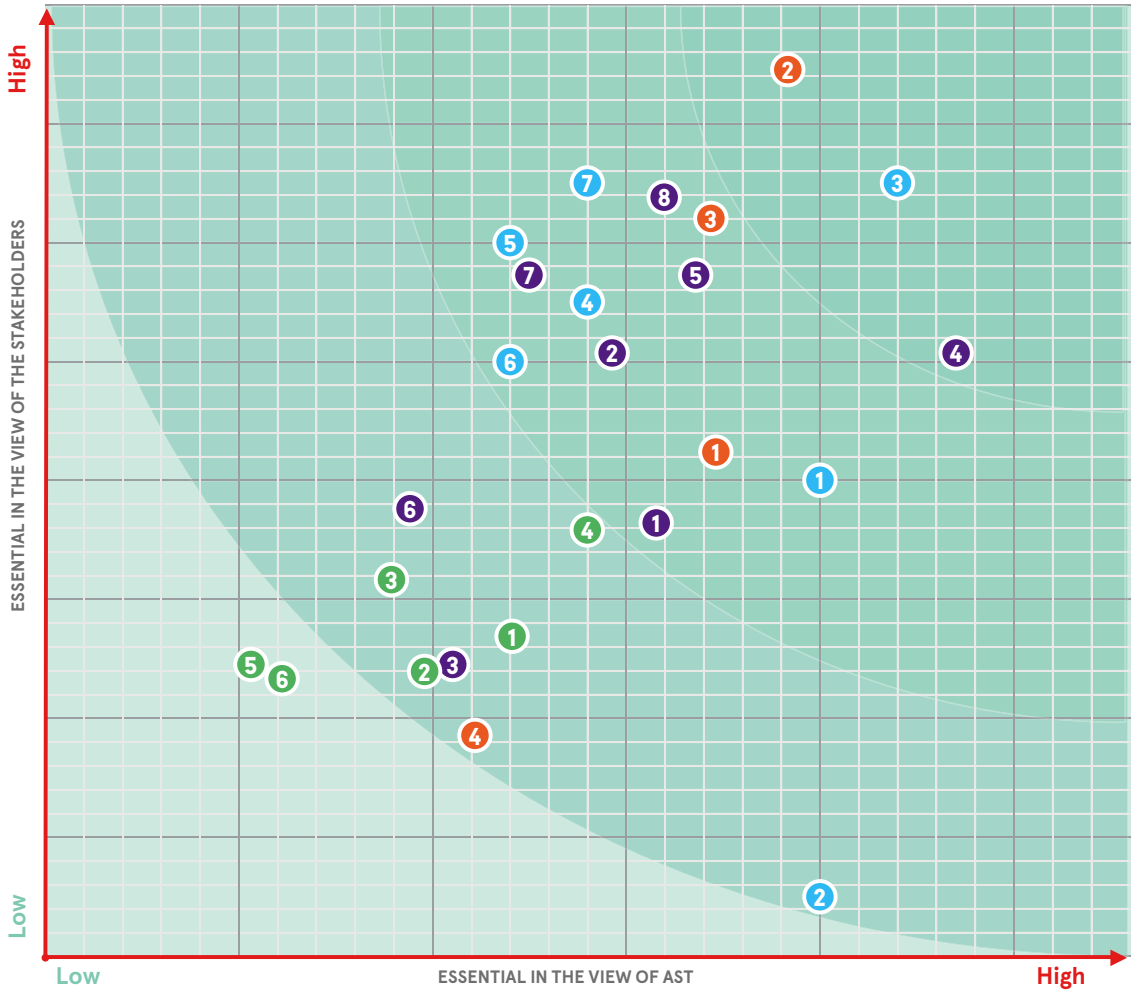
TRANSIT LOSSES



SHARE OF TRANSMISSION LOSSES
(losses in the 110/329 kV network)



MATERIALITY MATRIX. ECONOMIC DIMENSION



KEY ASPECTS

- 4 Service liability

VERY IMPORTANT ASPECTS

- 1 Political responsibility
- 2 Data protection
- 5 Customer safety
- 7 Involvement In Sectoral Policymaking
- 8 Emergency management and response strategy

IMPORTANT ASPECTS

- 3 Land use rights
- 6 Promotion of competition

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MANAGEMENT APPROACH

Responsibility is one of the values of AST and the basic principles of corporate governance. Management and employees take responsibility for the tasks performed in accordance with the requirements of applicable laws and regulations as well as best practices. AST conducts transparent, ethical, secure, responsible, and fair business practices and informs and involves interested parties in the implementation of its activities.

In accordance with the Code of Ethics, fair and equal treatment of interested parties is ensured, preventing fraud and corruption. AST has published ethical principles for cooperation with contractors and requires adhering to equally honest principles of cooperation, and the impact of AST activities on society and the environment is assessed in its daily work and the implementation of new projects. Local people and other interested parties are regularly involved in public consultations of the projects. Emergency and crisis management and prevention plans have been developed. AST informs interested parties regarding its activities and expresses its position on important topics for the Company and its interested parties in energy and related sectors.

206-1

RESTRICTION OF COMPETITION

The purpose of procurements is to establish common basic principles for procurement to ensure the economically efficient use of funds and sustainable business of the capital company.

For the organisation of procurement and evaluation of tenders, a Procurement Procedure Commission is established, which independently organises its work and is responsible for the procedures, develops procurement regulations, announces procurement procedures, evaluates applications submitted by the candidates and tenders, prepares motivated draft decisions for AST decision makers.

Each member of the procurement procedure commission shall evaluate the candidate's application or the tenderer's tender individually according to all the evaluation criteria specified in the procurement procedure documents, except for in the case when only the price is used for the comparison and evaluation of tenders. The most economically advantageous tender shall be the tender which has obtained the highest evaluation when summarising the individual evaluations.

The tax payment check is assessed as well, stipulating that the procurement commission does not review the candidate's application or tenderer's bid and does not grant the tenderer the right to enter into a procurement contract if, taking the information entered in the tax debtors public database of the State Revenue Service and the real estate tax administration system on the date of the last data update into account, it has been established that the candidate or tenderer has tax debts on the last day of the term for the submission of the application or tender or the tenderer, in respect of which a decision on the possible award has been made, in Latvia or in the country where they are registered or have their permanent residence, including debts for mandatory state social insurance contributions, which in total in one of the countries exceed EUR 150. The Procurement Commission obtains information on the conditions for the exclusion of a tenderer from the electronic procurement system.

The AST procurement regulations include a regulation of the procedure for evaluating an unreasonably cheap tender. There is a procedure that if the Procurement Procedure Commission has provided so in the procurement documentation or in the invitation to participate, it is entitled to check the average hourly tariff rates of the tenderer and its subcontractors. Significant differences from the national average hourly rates applied to the professions concerned may indicate price dumping and tax evasion. The Procurement Commission shall pay attention to this feature, as it may indicate an unreasonably cheap tender. The Procurement Procedure Commission will evaluate the tenderer's bids based on the tenderer's explanations. The tenderer and the subcontractor may have paid a lower average hourly rate than the average of other employers in the country for the respective professions, but the rate shall be based on economic activities performed in accordance with the requirements of regulatory enactments (including the field of taxation). The opinion of the State Revenue Service is not required in the evaluation made by the Procurement Procedure Commission. The Procurement Procedure Commission shall send the State Revenue Service the tenderer's explanations regarding the difference between the tenderer and the subcontractor indicated in its tender, the value of which is at least 10% (ten percent) of the value of the procurement contract, average hourly tariff rates for employees in occupational groups and data compiled by the State Revenue Service regarding average hourly tariff rates for employees in occupational groups.

Qualification requirements in the procurement are set in accordance with the Law on the Procurement of Public Service Providers and for the personnel – in accordance with the Law on Regulated Professions and the Recognition of Professional Qualifications.

Construction – reconstruction of an existing 110 kV or 330 kV electrical installation. This means that the work is performed in the operating electrical installations, in their protection zones or in their immediate vicinity. The performance of such works is closely related to the electrical safety issues, i.e., increased hazards for both the customer's and the contractor's personnel and others.

Execution of construction works, including the use of lifting and drilling mechanisms, is envisaged in the operating 110-330 kV electrical installations and in their immediate vicinity, as well as in intersections and crossings with lower voltage overhead power lines.

Considering the fact that the reconstruction of the 110 kV electrical installation is related to the electrical safety risk, AST, as the customer, sets qualification requirements for the tenderer (construction contractor) in the procurement regulations, which should exclude a possible risks to the health and life of the personnel of the tenderer, if the contractor erroneously fulfils the instructions and documentation given by the AST staff for the performance of the work intended for the admission of the contractor's team, as well as the instructions and documentation during the performance of the intended work.

The Company's many years of experience provide a clear understanding of the risks and consequences that may arise from the construction or organisation of work on, in the immediate vicinity of, or in the protection zones of the electrical installations of complex and large power plants by persons who are not professionally trained and qualified.

AST has gathered information and identified problems which may interfere in the construction process of the site or affect the safe performance of works. Therefore, given that the work is to be carried out in the immediate vicinity of high-risk sites, it is vital that workers understand the risks in the work environment, and thus, rule out any real danger to workers' health or life and the existing property that is under the management of AST or its customers.

AST stipulates in the procurement regulations that the tenderer's (contractor's) project managers and supervisors shall be appropriately competent and experienced to be able to anticipate and identify such risk situations in good time, i.e., the supervisor shall be familiar not only with electrical safety issues but also technologies and methods of performance of works, such as, but not limited to, principles of operation of lifting mechanisms or drilling equipment, permissible distances to current-carrying parts from the most protruding parts of such equipment, principles of earthing of used equipment, etc.

Thus, AST ensures the participation of a qualified specialist in the construction process, considering the specific conditions of project implementation but not limited to:

- the works are performed simultaneously in several sections of the electrical installation to be rebuilt;
- the interchangeability and availability of specialists to the customer is ensured throughout the performance of the contract, and it is not affected by the observance of working hours and rest periods specified in the legislation, holidays, other provisions provided for in the legislation, including unplanned absences of personnel (e.g., incapacity for work, etc.);
- communication with the state institutions and local government institutions is ensured in the amount specified in the agreement;
- communication with landowners is provided in the amount and terms specified in the agreement;
- the presence of qualified specialists is ensured at all stages of the work to be performed simultaneously; continuous availability and interchangeability throughout the performance of the contract, and it is not affected by the observance of working hours and rest periods specified in the legislation, holidays, other provisions provided for in the legislation, including unplanned absences of personnel (e.g., incapacity for work, etc.) as well as possible staff turnover.

The certificate for the performance of construction works of 110 kV electrical installations confirms that the recipient thereof, in accordance with the requirements approved by the certification authority, can perform the construction of electrical installations qualitatively and professionally.

Certified employees, together with the supervisor, shall ensure high-quality performance of electrical work at the professional level and in compliance with the technical regulations existing in the Republic of Latvia in the performance of these works, ensuring these requirements in the operation and supervision of all team members.

103-2

EMERGENCY MANAGEMENT PLANS

AST is not immune to natural or man-made damage, so a single emergency and crisis management system has been set up to mitigate these risks. It aims at a common approach to emergency and crisis management to ensure the continuous and secure operation of AST or its rapid and effective recovery. The developed principles for action in emergency situations determine cooperation with the Crisis Management Council, the Energy Crisis Centre, municipalities, the Operational Management Department of the State Fire and Rescue Service (SFRS), the National Armed Forces, and the Latvenergo Group.

Employees are regularly trained to increase their understanding of their responsibilities in emergency and crisis management. In co-operation with the Latvenergo Group, emergency and crisis management training is organised every year with possible emergency scenarios. Employees of various structural units of the Company, specialists of the SFRS Operational Management Department and the National Armed Forces are involved in this training. At the end of the training, an analysis of the process is performed; the measures to be taken and preventive measures are determined to improve the efficiency of the elimination of consequences and to reduce the material losses.

103-2

INVOLVEMENT IN SECTORAL POLICYMAKING

AST is involved in the policymaking of the energy sector to promote the sustainable development of the Company, industry, and economy. In accordance with the goals and tasks set in the AST strategy, the representatives are involved in the development of positions and opinions on the Latvian and EU-wide research, guidelines, standards, policy documents and legislation in energy and related sectors. AST experts regularly provide recommendations for the development and improvement of various Latvian regulatory enactments. AST personnel is involved in shaping sectoral policies at the EU level as well. By participating in various forums, AST experts promote the exchange of views on topical issues of Latvian and EU energy policy, including energy in Latvia and the forthcoming changes in the sector, i.e., market-based energy. The most significant conference 'Energy 2020' in 2020 was organised by the newspaper Dienas Bizness, as well as an informative seminar 'Traders' Breakfast' for the electricity market participants and balancing service providers to share the current events in the electricity sector in Latvia and the single European electricity market. In December, we invited electricity market participants, i.e., existing, and potential balancing service providers, to a public online seminar on the implementation of the MARI balancing energy exchange platform. MARI is a joint project of European transmission system operators with a view to establish a platform for the manual activation of the European Frequency Recovery Reserve to integrate European balancing energy markets and improve the safety of energy systems.

IMPACT ON SOCIETY

AST seeks the views of the interested parties and involves the public in decision-making when the Company's activities involve potential harm or a risk of harm to the environment and society. Both clients and any other persons may express their views or submit a claim or application during the public consultation.

205-2

PERFORMANCE INDICATORS

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

A publicly available reporting channel has been set up on the AST website to provide information on cases of fraud and dishonesty in AST activities. Reporting is anonymous. In turn, those notifiers who want to be contacted by the responsible employees, can provide contact information in the notification form.

COMPLIANCE WITH THE REGULATORY REQUIREMENTS AND FAIR COMPETITION

415-1

AST has a Code of Ethics, which sets out corporate values and principles of professional conduct to ensure that employees perform their duties in good faith, are impartial, adhere to high ethical standards, and prevent fraud, corruption, illegal or dishonest conduct. AST also calls on contractors to adhere to equivalent ethical principles. AST has also developed and implemented Fraud and Corruption Risk Assessment Rules. They set out the basic principles for managing this risk, as well as the main tasks and responsibilities for the managers and employees at all levels. Along with the rules, several measures have been implemented to reduce the risk of fraud and corruption. These risks are assessed annually, corrective actions are planned, and risk mitigation measures are monitored quarterly. Employees who, in the performance of their duties, have been or may be subject to a conflict of interest, shall submit a declaration of conflict of interest once a year. When starting an employment relationship and signing a certificate, new employees shall express understanding and readiness to avoid conflicts of interest in their activities.

DONATIONS TO POLITICAL ORGANISATIONS

In accordance with the requirements of the legislation of the Republic of Latvia, AST Corporate Social Responsibility Policy, the Company does not make financial and/or non-financial investments in political organisations.

419-1

NON-COMPLIANCE WITH SOCIAL AND ECONOMIC REGULATORY ENACTMENTS

In 2020, no penalties or non-financial sanctions were imposed for the non-compliance of AST activities with social or economic legislation.

EU28

MANAGEMENT APPROACH TO SHORT- AND LONG-TERM ELECTRICITY AVAILABILITY AND RELIABILITY

EU29

FREQUENCY OF POWER OUTAGES

AVERAGE DURATION OF ELECTRICITY OUTAGES

To ensure the reliable availability of the electricity in the short and long term, the Medium-Term Operational Strategy for 2016–2019, the Transmission System Development Guidelines for 2016–2020 were approved in 2016, and the Electricity Transmission System Development Plan for 10 years (hereinafter also – Development Plan), as well as the maintenance and repair plan for the current year. The Company is currently working on a new version of the strategy, which would correspond to the 2021–2025 period.

To ensure a sustainable and well-thought-out amount of planned capital investments, the Company has developed and approved the Latvian 330/110 kV transmission system facility renovation and reconstruction evaluation criteria, which determine the critical age limits of equipment and the required renovation rates. Objects are included in the Development Plan after their evaluation in accordance with the above-mentioned criteria. The Development Plan is drawn up in such a way that the number of objects, for which the critical age limits of the equipment have been exceeded will decrease in the long term and will not be exceeded at all in the future.

Approximately EUR 2 million is allocated annually for the maintenance repairs of the transmission system in accordance with the periodicity of the technical maintenance and repairs of equipment developed by the Company, technical inspections of equipment and lines performed, evaluating the identified defects.

To ensure reliable access to electricity, AST has set the following objectives:

- to ensure that the average service availability index (ASAI) is higher than 99.5%; the objective set in 2020 was achieved (ASAI index is 99.74%);
- to ensure the Customer Average Interruption Duration Index (CAIDI) per substation ≤0.9 h. In 2020, the CAIDI index is 0.54 h.

	2020	2019	2018	2017
SAIDI	9.4	31.2	80.4	124.2
SAIFI	0.3	1.1	1.8	2.5

The Company measures the duration and number of power outages to customers. For this purpose, we use the international standards SAIDI and SAIFI.

SAIFI – System Average Interruption Frequency Index

SAIDI – System Average Interruption Duration Index

ENVIRONMENTAL PROTECTION

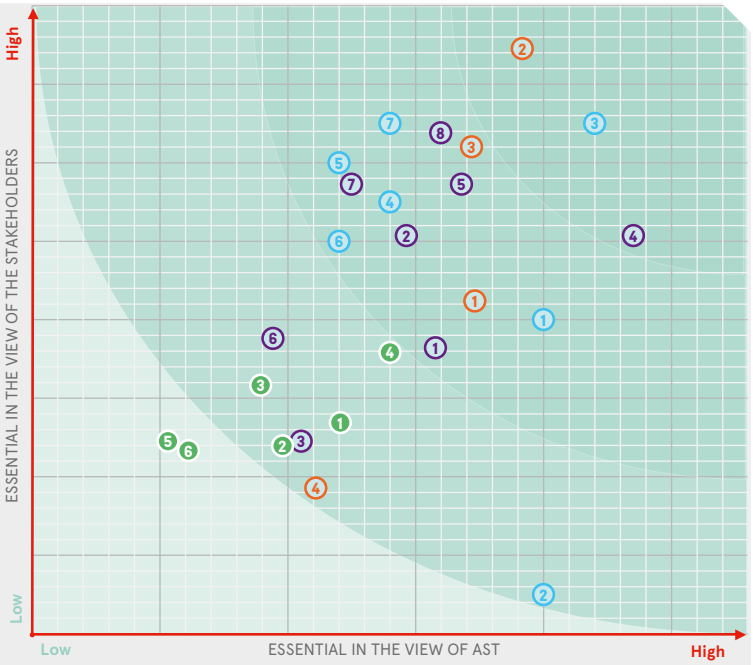
MATERIALITY MATRIX. ENVIRONMENTAL CONCERNS

KEY ASPECTS:

1. Materials and raw materials used
2. Energy Consumption and Energy Efficiency of the Company
3. Impact on biodiversity
4. Waste Management and Environmental Impact

LESS IMPORTANT ASPECTS:

5. Selection of new suppliers, considering their environmental and/or energy efficiency as a criterion
6. Greenhouse Gas Emissions and Water Pollution



MANAGEMENT APPROACH

AST, like any other company, undeniably has an impact on the environment. A modern company, such as AS Augstsprieguma tīkls, can be recognised by its care for the environment and investments in environmental protection. As reliable partners we sincerely want to promote stability and confidence for tomorrow. We consider one of our main tasks to be the continuous improvement of the Company's operations in accordance with the requirements of environmental protection and the best available technologies and practices.

ENVIRONMENTAL POLICY

Environmental policy describes the Company's environmental philosophy and attitude towards the environment. It covers the basic principles, responsibilities, and key actions of environmental management in determining the choice of environmentally friendly and efficient technologies and promoting the sustainable development of AST.

AST adheres to the following basic environmental principles:

- organises its activities and plans development in accordance with the basic principles of sustainable development, observing economic and environmental aspects and complying with the Latvian legislation in the field of environmental protection;
- identifies potential environmental risks and minimises their adverse effects on the environment in all areas of the Company's activities;
- introduces best available techniques, reduces emissions of pollutants into the environment, the impact on climate change and the amount of waste generated;
- promotes the continuous improvement of the environmental performance in each structural unit and the Company as a whole, promoting the efficient use of resources;
- when planning development, evaluates the impact of investment projects on the environment, preventing damage to the environment and public interest, as well as ensuring the maximum reduction of damage to the environment during the construction, usage, and closure stages of the planned objects;
- maintains and improves the environmental management system in accordance with the requirements of the LVS EN ISO 14001 standard;
- takes care of and promotes the preservation of the biological diversity, evaluates, and controls the impact of the activities of the Company on specially protected nature territories, species, and habitats;
- ensures the competence of the responsible employees in the field of environment, promotes the formation of environmental awareness of employees in each workplace and informs employees regarding the essential environmental aspects of the Company's activities;
- regularly and openly informs the public and interested parties regarding the Company's environmental activities;
- acts in an environmentally friendly manner and calls on partners and the public to act in an environmentally friendly manner.

301-1

USE OF MATERIALS AND RAW MATERIALS

G4-En1

MATERIALS USED, BY WEIGHT OR VOLUME

There are no facilities containing polychlorinated biphenyls under the supervision of AST. In the procurement procedures, the Company determines the necessary evaluation criteria, which comply with the legislation and requirements set by the EU, which allows one to evaluate the quality of materials, economic profitability, and environmental factors. The supply of materials for AST is mainly from EU Member States, subject to the requirements of the single EU market for goods and product safety.

AST has developed internal procedures for the extraction and sale of scrap, as well as procedures for oil management. The Company regenerates oils used during operation, the parameters of which no longer meet the criteria, i.e., reprocessing the oils in a special facility with the aim to restore the oil quality criteria (refining and restoration of physicochemical properties), thus, reducing hazardous waste and increasing the number of recyclable materials.

TRANSFORMER OIL WAS TREATED IN THE OIL RECOVERY UNIT IN THE PERIOD FROM 2018 TO 2020

2020	2019	2018
51.58 m^3	53.68 m^3	62.59 m^3

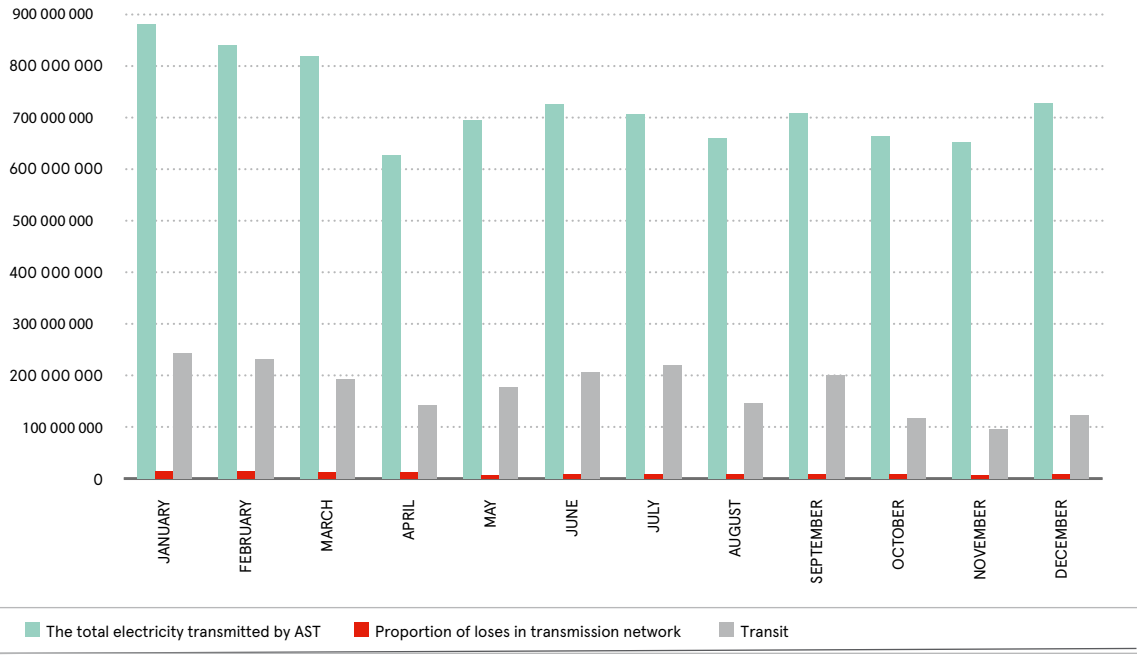
302-1

ENERGY CONSUMPTION AND ENERGY EFFICIENCY OF THE COMPANY

To report total energy consumption, broken down by the consumption of renewable and non-renewable resources where possible. To indicate the following energy consumption: electricity, heat, where applicable, cooling or steam.

The total electricity transmitted by AS Augstsprieguma tīkls (in the 110/330 kV network) in 2020 is 8,709,831,176 kWh.

ELECTRICITY TRANSMITTED AND PROPORTION OF LOSSES (LOSSES IN 110/330 kV NETWORK) IN 2020, kWh



Source: AST

302-4

REDUCTION OF ENERGY CONSUMPTION

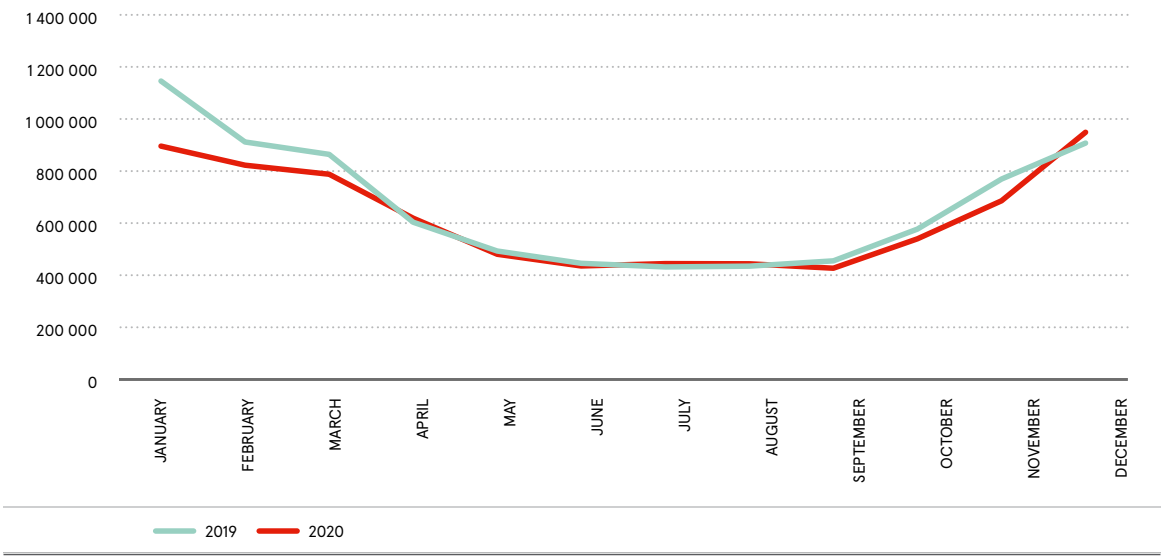
According to the Energy Efficiency Law and binding regulatory enactments, the Company's energy management system shall include information on at least 90% of the Company's energy consumption balance (electricity losses (losses in transmission lines and losses in transformers), transit losses, transmission losses, captive consumption (technological, economic), replacement or installation of equipment, transport and fuel, buildings, lighting).

The Company has developed Energy Management Policy and Energy Efficiency Principles, as well as procedures K-5/1-136 "Procedure for Energy Efficiency Assessment of AS Augstsprieguma tīkls technological and economic objects" and K-5/1-119 "Energy Monitoring Procedures of AS Augstsprieguma tīkls", and K-5/1-120 "Assessment procedures of buildings and Energy Efficiency of AS Augstsprieguma tīkls".

In accordance with the Integrated Management Internal Audit Programme of AS Augstsprieguma tīkls in 2020, all objects (substations) and buildings were inspected; buildings and objects were assessed from the point of view of energy efficiency. In 2020, 61 buildings and objects (substations) were inspected and assessed.

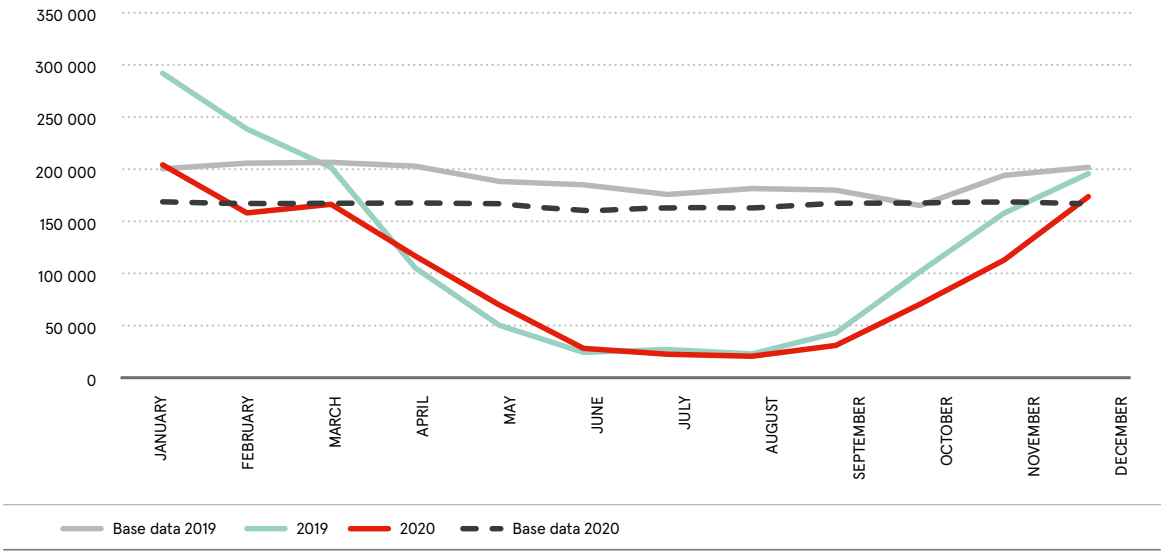
Technological and economic electricity captive consumption is monitored every month and consumption dynamics are analysed. If the deviations are greater than the specified criteria, the reasons are analysed, and, if necessary, corrective measures are identified.

LISTED TECHNOLOGICAL CAPTIVE CONSUMPTION, kWh



Source: AST

LISTED ECONOMIC CAPTIVE CONSUMPTION, kWh



Source: AST

Fuel consumption for vehicles and machinery is monitored in accordance with certain standards. On a monthly basis, responsible users prepare transport and machinery reports on mileage, engine hours worked, and fuel used (data are managed in the Horizon information system).

When renewing and replacing the vehicle fleet, the vehicles are selected according to the principles of green procurement in accordance with the guidelines of the Procurement Monitoring Bureau (PMB), which are available on the PMB website.

In 2020, five power transformers were replaced (including capital investment projects started in 2019) in accordance with the 10-year development plan of the transmission network. The energy efficiency of transformers and auto-transformers is assessed according to the compliance of their technical parameters with Commission Regulation (EU) No. 548/2014 to set eco-design requirements for energy related products. The technical condition of transformers and auto-transformers, which affects both operational safety, necessary investments, and operational efficiency, is assessed in accordance with the Latvian 330/110 kV transmission system facility renewal and reconstruction evaluation criteria, which is accompanied by the transformer and auto-transformer energy efficiency assessment.

When renewing and replacing the vehicle fleet, the vehicles are selected according to the principles of green procurement in accordance with the guidelines of the Procurement Monitoring Bureau (PMB), which are available on the PMB website.

SIGNIFICANT IMPACT OF ACTIVITY, PRODUCTS OR SERVICES ON BIODIVERSITY

When maintaining power transmission lines (PTL), their geographical location is considered: nature reserves, nature parks, Natura 2000, etc.

When choosing methods for clearing PTL from overgrowth or planned maintenance works, they are coordinated with the responsible state institutions. The timing of the work is also harmonised (for example, regarding bird nesting and associated restrictions).

When implementing transmission network development projects, as well as performing active maintenance and modernisation measures, AST informs the environmental protection institutions about the planned activities in accordance with the requirements of the regulatory enactments. If necessary, an environmental impact assessment of projects is performed, and experts are attracted. The most significant development projects, for which an environmental impact assessment (EIA) has been performed are "Kurzeme Ring" and "Third Estonia – Latvia interconnection", however, for the planned operation "Construction of 330 kV power transmission line with a total length of 13 km in Salaspils municipality" and "Reconstruction of 330 kV lines – Valmiera-Tartu and Valmiera-Tsirgulina", the State Environmental Monitoring Bureau decided not to apply the environmental impact assessment procedure.

The Company considers the proposals of environmental experts provided during the EIA, the requirements of the environmental authorities, and informs the contractors, as well as monitors compliance with these requirements during the construction process. Within the framework of the project "Kurzeme Ring", at the request of AST, the experts of the Latvian Ornithological Society conducted a study on possible collisions of migratory birds and black storks with the power transmission line in the Ķemeri National Park region. Following the recommendations of environmental experts and the evaluation of the EIA conditions for the reconstruction of the power line, it was decided to choose a solution where trees would be cut and the environment affected as little as possible, as well as bird diversions for a length of 2 km were installed on the Ventspils – Grobiņa line.

Bird diversions are also located on the "Kurzeme Ring" line Ventspils – Tume – Imanta in a 15 km long section.

In this respect, AST regularly evaluates information on the experience of other countries (Estonia, Lithuania).

The Company has procedures in place to determine, in which cases it is permissible to remove a white stork's nest or disturb an individual to prevent significant harm to the economy or public security interests, as well as to protect the population of white storks. To reduce the adverse effects of the white stork on the power transmission lines, while promoting the protection of the white stork, AST has introduced and maintains technical protection measures for the transmission lines (support "caps" and "grinders"). AST receives an annual permit from the Nature Conservation Agency for the acquisition of non-hunted species, as well as maintains active communication and cooperation with the Nature Conservation Agency on a regular basis.

In accordance with the Ten-year Development Plan, in substations, AST renovates transformer oil collection pits and underground oil catchment pits, as well as installs oil separators to comply with Latvian legislation and regulations on environmental protection, LEK 002 requirements and to reduce potential environmental pollution at AST substations in the case of transformer damage with possible oil leaks.

306-2

WASTE MANAGEMENT AND ENVIRONMENTAL IMPACT

AST waste management is performed in compliance with the laws and regulations of the Republic of Latvia (Law on Pollution, Waste Management Law, Cabinet Regulation No. 703 of 13 September 2011 'Regulations Regarding the Procedures for Issuing and Cancelling of a Permit for Collection, Transport, Reloading, Sorting or Storage of Waste, as well as Regarding the State Fee and the Procedures for Payment Thereof', Cabinet Regulation No. 302 of 19 April 2011 Regulations Regarding Waste Classification and Properties Rendering Waste Hazardous, contractual requirements and requirements defined by AST.

Taking the changes in the organisational and functional structure of the Company into account, from 01.01.2019, the management and administration of municipal waste and construction debris is organised and performed by the AST Real Estate Management Department together with the Quality System Department.

A centralised Hazardous Waste Management System has been developed in AST. Hazardous waste containers are located at the places where waste is generated (Substation group bases, Line service stations and many other places). When the containers are full, they are transferred to the Procurement Department of the Company, at 86 Dārzciema Street, Riga for further management (by forming an internal movement consignment note for the control of actions).

Hazardous waste in the Company is managed by attracting contractors who have hazardous waste management permits issued by the relevant Regional Environmental Boards for the specific type of waste. When concluding a contract for hazardous waste management, one of the requirements is to attach a copy of the waste management permit to the contract as an annex to the contract.

The annual waste volumes are not comparable, because AST, unlike the production companies, is the Company that maintains the assets of the Transmission System, and the works vary from year to year with the specifics and volume of equipment repair and operation depending on the periodicity.

VOLUMES OF THE MOST SIGNIFICANT WASTE GENERATED AND MANAGED BY THE COMPANY IN 2018–2020

Waste group code, name	2020 (t)	2019 (t)	2018 (t)
200301, Unsorted municipal waste	**175.9**	**176.50**	**200.09**
Of them at Dārzciema Street, Riga	112.89	111.24	112.32
In other objects	63.01	65.26	87.77
Different types of construction waste	**128.8**	**86.80**	**62.40**
Of them at Dārzciema Street, Riga	60.56	21.90	16.20
In other objects	68.24	64.90	46.20
170407, Mixed metals	1030.45	1,676.80	1,323.56
170411, Cables not conforming to the class 170407	36.46	0.15	11.42
160213, Electronics	0.66	1.28	0.40
130507, Oily water	176.2	149.40	98.51
130307, Mineral insulating oils	142.2	239.40	79.60
150202, Absorbent, rags, oily paper	0.99	2.746	1.512
160506, Chemical substances	0.03	0	0
60404, Mercury-containing waste	0	0	0
150110, Packaging that contains hazardous substance residue, or is contaminated with such substances	0.2	0.449	1.03
200133, Unsorted batteries	0.13	0	0.86
200121, Fluorescent light bulbs	0.18	0.188	0.12

To reduce the amount of unsorted municipal waste generated, separate waste management (PET, paper, glass) has been introduced at the administrative-technical base at 86 Dārzciema Street, Riga. To implement environmentally friendly and responsible waste management, AST has started to introduce the sorting of municipal waste at Substation group bases and Line service stations. Increasingly, company documents are managed electronically, saving paper and resources. A separate container for biological waste management is also located at the administrative-technical base at 86 Dārzciema Street, Riga.

308-1

SELECTION OF NEW SUPPLIERS IN ACCORDANCE WITH THE CRITERION OF ENVIRONMENTAL ATTITUDE

AST applies environmentally friendly or green procurement requirements to certain product groups such as transformers, auto-transformers, transport, and construction.

The number of procurement contracts concluded in 2020 is 267, including 45 construction contracts, 152 service contracts and 70 supply contracts. Of these, five transformer contracts and two contracts for the purchase of vehicles are defined as green procurement because life-cycle costs are calculated for them.

Recommendations of the Procurement Monitoring Bureau are used for transport procurements, life-cycle loss costs are assessed for transformers (according to the formula indicated in the procurement procedure statement) both from the point of view of environmental aspects and from the point of view of energy efficiency. During the procurements of vehicles, the impact of their operation on energy and the environment is considered as well as assessed energy consumption and emissions of carbon dioxide, nitrogen oxides, non-methane hydrocarbons, and particulate matter.

The life-cycle loss costs are evaluated during the transformer procurements. The completed procurement is evaluated both from the point of view of environmental aspects and from the point of view of energy efficiency.

305-1

GREENHOUSE GAS EMISSIONS AND WATER POLLUTION

When assessing the impact of the Company on the atmosphere, the only significant emissions into the atmosphere are due to deviations of the equipment filled with electronegative gas from normal operation or in the event of defects of this equipment. Electronegative gas (SF6) is sulphur hexafluoride, which is normally a very inert and stable gas. Electronegative gas can absorb heat and contribute to global warming. Due to these properties, it is harmful to the environment, but as a technology used, it is a much cleaner insulation material than oil. By modernising the assets of the Transmission Network, applying the latest, cleanest, and most advanced technologies, AS Augstsprieguma tīkls installs and puts into service electrical equipment in which electronegative gas is used as an insulation material. Such equipment includes circuit breakers, compact gas-insulated switchgears, and instrument transformers.

Under normal operating conditions, the possible regulatory leakage of electronegative gas from the electrical equipment is insignificant (small amounts) and does not cause an impact on the environment, however, there is a possibility of defects that may result in leakage of electronegative gas (total recorded leaks: In 2018 – 1.64 kg, in 2019 – 3.84 kg and in 2020 – 1.4 kg).

OVERVIEW OF ELECTRONEGATIVE GAS VOLUMES IN THE PERIOD FROM 2018 TO 2020

Accounting period	2020	2019	2018
Amount of equipment installed	63	79	34
Weight of electronegative gas in installed equipment, kg in the relevant year	740.9	842.6	323.2
Total weight of electronegative gas loaded in the equipment, kg	17,238.6	16,497.7	15,655.1
Leakage volume, kg	1.4	3.84	1.64

303-1

WATER CONSUMPTION

During the process of water management, the Company monitors water consumption, as well as implements measures to reduce water consumption. Water is only used for economic activities, so wastewater is only generated from the ancillary activities and not from the main activity.

As the volumes of operation and development work vary from year to year, water consumption varies in accordance with the type and volume of work.

WATER CONSUMPTION IN THE PERIOD FROM 2018 TO 2020

Accounting period	2020	2019	2018
Consumption volume of water resources from contract organisations, m³	7,835	8,005	10,438
Consumption volume of water resources from the wells of AS Augstsprieguma tīkls, m³	1,347	986	974
total	**9,182**	**8,991**	**11,412**
For the needs of AS Augstsprieguma tīkls, m³	8,452	8,506	10,576
Water supply to the population, m³	730	485	836

Most of the Company's facilities are characterised by the environmental impact of the following activities: preparation or use of water, wastewater treatment, generation and management of hazardous waste, handling of chemicals and mixtures, operation, repair, and damage prevention work.

By implementing and maintaining an environmental management system, the Company has developed and implemented policies and objectives in compliance with the legal requirements and information on significant environmental aspects.

In March 2013, due to the high flood waters, historical soil contamination was detected (pollution testing demonstrated oil products with a decomposition period of 20 years and older) with oil products at the substation "Viskaļi", where the pollution was discharged into the local River Platone along the ditch together with the flood waters. In the period from 2014 to 2015 inclusive, a capital investment project in the above-mentioned substation was performed, modernising the substation, within which the remediation of pollution was performed at the facility. During the remediation works, polluted groundwater (water – oil emulsion) in the amount of 65.7 tonnes was pumped out, and 1,358 m³ of soil was excavated. To ensure the monitoring of remediation measures, groundwater monitoring is carried out in the period from 2016 to 2020.

The use of transport and machinery also has an impact on the atmosphere, but most of the emissions are within the permissible norms, and both the environmental aspects and the principles of green procurement are considered when planning the modernisation of the Company's road transport and machinery.

Water (domestic wastewater) and air pollution (road transport) only arise from ancillary activities, from which it can be concluded that the Company is not considered to be a significant source of pollution.

The amount of wastewater varies from year to year due to the water consumption and atmospheric precipitation.

WASTEWATER DISCHARGED BY THE COMPANY IN THE PERIOD FROM 2018 TO 2020

Discharge place	2020	2019	2018
Wastewater discharged to the contract organisations (in accordance with the contract), m³	11,241 (including 4,702 rainwater)	11,498 (including 4,582 rainwater)	12,766 (including 4,626 rainwater)
Wastewater treated in AS Augstsprieguma tīkls treatment plants, m³	2,168	1,958	1,911
total	**13,409**	**13,456**	**14,677**

EMPLOYEES AND THE WORK ENVIRONMENT

MATERIALITY MATRIX. EMPLOYEES AND THE WORK ENVIRONMENT

KEY ASPECTS:

2 Occupational safety of employees

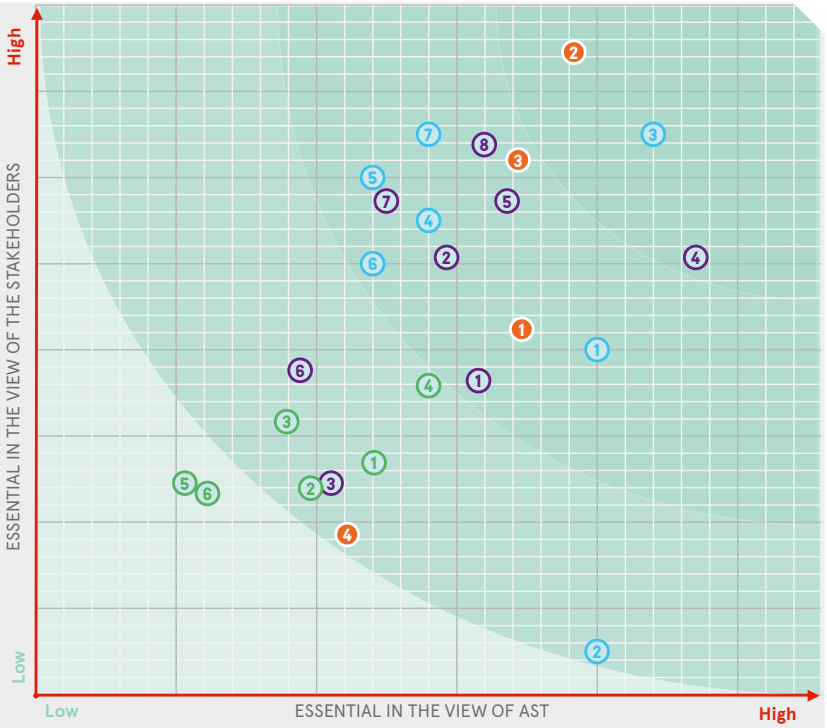
VERY IMPORTANT ASPECTS:

3 Investments in employee succession

1 Work practices and decent work

IMPORTANT ASPECTS

4 Employee diversification and non-discrimination



MANAGEMENT APPROACH

AST is driven by development and the key to success is a team of more than 500 professional and responsible employees who take care of electricity transmission and development. AST's management is aware that employees with different competencies and diversity are a value that enables the Company to develop and achieve new goals. We respect the right of employees to choose whether they are represented by a trade union in relation to a collective agreement.

Because you can bring
more enthusiasm,
joy of life and positive energy
into the room than anyone else.

Be that energy!

103-1

103-2

PERSONNEL MANAGEMENT POLICY AND FUNDAMENTAL PRINCIPLES

Given that the achievement of AST's long-term strategic and short-term goals is ensured by a team of professionals, to promote efficiency and productivity, while taking care of each employee's motivation and loyalty to AST, in 2020, an employee satisfaction and involvement survey was conducted to analyse employees' opinion in several aspects – the company's image and reputation, management, management style in the Company, work environment, work process, growth opportunities and development, work team and remuneration. In 2020, for the first time, an employee involvement index of 75% was obtained.

The above-mentioned aspects are important to find out the general mood in the Company and the attitude towards the factors influencing the work environment, to gain confidence that the strategic goals are achieved through successful interaction between departments and employees and that the work environment, related processes, work equipment and interpersonal relationships help to perform work responsibilities and achieve the set goals effectively daily.

To find out the opinion of AST's employees on various issues related to the work environment, in 2020, 10 employee surveys were conducted using the survey tool available on AST's intranet (ASTe).

At the same time, AST participates in the general remuneration survey every two years to ensure the full application of AST's remuneration policy and to design and maintain remuneration in such a way so as to balance remuneration with the labour market.

To implement the efficient use of human resources to improve AST's performance and achieve the Company's goals, in accordance with the annual employee evaluation and development negotiation procedure approved by AST, annual employee evaluation and development interviews were conducted in the first and second quarter of 2020.

AST constantly pays attention to employees' views on the safety of the work environment. To update the work environment assessment, in 2020, the employee satisfaction and involvement survey included questions on safety of work environment, and in general, the work environment of AST is highly valued, i.e., the work environment is safe and sufficiently well equipped.

Labour protection measures are provided not only to the employees of the Company, but also to the employees of the service providers. All employees of the contractors are instructed and trained on safe work performance. The contractors manage their human resources and AST monitors their activities on site.

Employees and managers of AST are professionals in their field, who build both their relationships with each other and with the interested parties of AST core business based on the following values:

HONESTLY

Independent, ethical, and transparent action towards anyone and everyone

WISELY

Effective. Looking forward. Long-term thinking

RESPONSIBLY

Deliberate action. With high responsibility towards work, people, and nature

TOGETHER

We join forces to achieve more. Strong team that encourages and challenges

The following basic principles apply to the personnel management of AST:

- A safe and non-discriminatory working environment, equal employment conditions and treatment of all AST employees.
- Employees form a team that provides motivating, flexible, loyal, and professional activities in the interests of AST.
- Employees are professionals in their field, who are constantly improving their professional skills and competencies, helping new colleagues to join the team by sharing their professional experience and practice with them.
- Personnel is open to change, taking responsibility for the quality of delegated tasks to ensure that the objectives of AST are met.
- Employees maintain a positive reputation of the Company and the brand in communication with interested parties.
- Mutual relations are formed based on general ethical principles, honesty, mutual respect and avoiding situations of a conflict of interest.

The remuneration policy of AST is developed and maintained with the aim to provide the competencies necessary to achieve the Company's objectives by attracting suitably qualified employees in the long term, motivating employees to perform quality work, to increase their productivity and achieve goals, as well as to increase the level of responsibility and initiative of the employees, and to use financial resources efficiently and rationally.

In all areas of activity, AST respects the fundamental human rights enshrined in the Constitution of the Republic of Latvia, laws and international agreements binding on Latvia. The work environment and processes are designed to prevent the human rights of the employees of AST and its subcontractors from being violated or abused.

AST maintains the social dialogue with employees and their representatives, thus, in addition to the legal provisions, the new version of the AS Augstsprieguma tīkls Collective Agreement concluded between AST and the Latvian trade union (Enerģija) that entered into force on 1st January 2018, which is valid until 31 December 2022 or until the conclusion of a new collective agreement, if no new collective agreement is concluded by the end of its term.

The Collective Agreement concluded by AST provides additional guarantees for all AST's employees, regardless of their trade union membership, thus ensuring equal economic and social protection.

The Collective Agreement stipulates that AST makes monthly contributions to the current account of AS Pirmais Slēgtais Pensiju Fonds for the benefit of employees until the full state old-age pension is reached in the amount of 6% of each pension plan member's monthly remuneration (salary) according to the Pension Fund's licensed pension plan and the collective membership agreement or 5% of the monthly remuneration (salary) of each member of the pension scheme for employees who, under the collective agreement, had the option to increase their employer's contributions by 1% or to receive collectively agreed benefits from AST for pensioners upon the termination of employment.

SAFE APPROVED ENVIRONMENT

AST pays special attention to create a safe working environment. By performing internal supervision of the work environment and observing the requirements of the regulatory enactments of the Republic of Latvia, an occupational safety plan is developed, which is aimed at maintaining a safe work environment. AST provides employees with jobs, personal protective equipment, and technical resources that meet their needs, as well as trains employees on occupational safety issues and safe working practices. AST's occupational health and safety management system complies with the requirements of ISO 45001 and allows one to purposefully reduce the Company's occupational health and safety risks.

404-2

EDUCATION AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Although AST has a relatively low staff turnover and the average length of service in the company is 17 years, it is considered that the operation of the AST transmission system requires highly qualified personnel, whose education and qualifications complies with the requirements specified in the legislation of the Republic of Latvia, and it corresponds to the work duties to be performed by the personnel and the specifics of the work.

Training and development of the personnel is an essential part of the Personnel Management System of AST and aims to improve staff knowledge, skills, and relationships so that they can ensure the long-term success of AST's operations and create satisfaction with the work done.

AST invests in the training and development of its employees in accordance with its strategic goals and the individual contribution of its employees to their achievement. The Personnel Department, in cooperation with the heads of the structural units, plans and forecasts professional development and career development opportunities for employees, consults personnel on training and career development issues, plans and conducts professional training for the employees, and plans personnel development discussions.

The annual staff training plan provides for the training necessary for the development of work competencies and professional training of employees. All of AST's personnel have equal training and development opportunities. Evaluating the need and opportunities, the Company's annual investment in the training of personnel in 2020 compared to 2018 has increased by 30%; in 2020, there was a decrease compared to 2019 by ~ 12%, which is related to the epidemiological situation in the country, because of which the planned training was cancelled.

	2020	2019	2018
Personnel training costs, thousand EUR	125	141	86

Criteria for the education, qualifications and competence of AST's personnel are defined, considering the specific nature of the work and the scope of the Company. Electrical engineer and equivalent electrical systems engineers of AST are included on the list of regulated professions in the field of energy. The education and qualification of the personnel working in these professions shall comply with the education and qualification requirements specified in the "Law on the Regulated Professions and the Recognition of Professional Qualifications". AST employs a total of 82 members of the regulated professions. For other positions, education and qualification requirements are defined in the job description of each employee, considering the specifics of the work of the structural units and the direction of activity.

AST employees are granted various rights from the point of view of occupational safety, the operation of energy installations and control of the Company's operations, which are determined by the applicable standards for requirements for energy companies. Since the energy standards determine the organisational measures for training and maintaining the competence of personnel for work in energy transmission, ensuring and maintaining the qualification of AST's personnel for works for which requirements are specified in the laws and regulations of the Republic of Latvia, the Cabinet of Ministers Regulations and Latvian Standards, various types of training are performed in the competent institutions. In 2020, compulsory training was performed for 294 employees. Due to the epidemiological situation in the country, in 2020, it was not possible to provide some of the training to 170 employees out of the planned 200.

Compulsory training	2020	2019	2018
Number of employees	170	294	420

The training system and process is aimed at the safe application of work methods in daily work, as well as the fulfilment of work duties at an appropriate, professional level.

As part of the development of vocational training, while considering AST's strategic objectives, the individual goals and objectives of the Company's departments and personnel, AST has provided 74 external training (courses, seminars, conferences) in 2020, attended by a total of 288 employees.

102-8

PERFORMANCE INDICATORS

EU15

The organisational structure of AST is based on the functional principle, creating separate structural units, which are established in accordance with the common goals of the organisation, to promote employee cooperation for the more effective achievement of individual, structural and short-term strategic goals.

The responsibilities of the AST Board are defined by clearly defined areas of responsibility, subordinate bodies, and decision-making according to the organisation's strategy: chairman (management), board member (system management), board member (development), board member (support), and board member (operation).

As of 31 December 2020, AST employed a total of 539 employees in all its structural units.

BREAKDOWN OF PERSONNEL INTO OPERATING SEGMENTS OF AST

	2020	2019	2018
System management	57	56	57
Growth	44	23	20
Support	42	41	38
Operation	355	369	377
Management	31 + 10	52 + 10	52 + 9
TOTAL	**539**	**551**	**553**

The percentage distribution of the main occupational groups is considered optimal to balance the quality assurance of administrative, practical and engineering work.

84% of men and 16% of women are employed in AST. The high proportion of men is related to the specifics of the AST industry - a higher proportion in the technical professions.

In AST, 99% of contracts are full-time and open-ended. In 2020, AST employed 1% of all AST staff for a fixed period.

In the Company, the total length of service of 331 employees is more than 10 years.

AST regularly informs employees and trade union representatives about current events related to the company's economic activities, development, and planned changes in the organisational structure.

The average age of AST employees is 46.4 years old, therefore, AST pays attention to the timely planning of the know-how transfer process and raising the professional skills and competencies of the required personnel.

AST maintains a balanced succession and generational change according to the specifics of the job.

	Retirement in the next 5 years (2021–2025) *		Retirement in the next 10 years (2021–2030) *	
Occupational groups	**Female**	**Male**	**Female**	**Male**
Managers	0%	8%	0%	17%
Specialists	11%	6%	25%	17%
Qualified workers	0%	10%	0%	24%
Other professions	44%	25%	67%	25%
TOTAL:	**13%**	**8%**	**26%**	**19%**

** To the total number of employees of the respective occupational group by gender*

402-1

MINIMUM NOTICE PERIOD(S) FOR CHANGES IN OPERATIONS

AST regularly informs employees and the trade union regarding the company's economic activities, current events, developments, and planned changes in the structure. The Collective Agreement stipulates that the employer shall inform the trade union no later than one month prior to submitting a request for consent to terminate an employment contract. Whereas the trade union shall be consulted on the

planned collective redundancies no later than one month prior to submitting the notification to the State Employment Agency of Latvia. Employees shall be informed of changes in the structure resulting from redundancies no later than five (5) days after the decision.

403-2

TYPES OF ACCIDENTS AND INCIDENTS, OCCUPATIONAL DISEASES, INDICATORS OF DAYS LOST AND ABSENCE

During the reporting period, five (5) accidents were identified, one of which was related to incorrect work organisation in the electrical installation, one related to a road traffic accident, one related to a leg injury, and two related to the risk of infection (tick bites).

Considering the specifics of the Company's activities, to prevent the possible risk of infection, the company provides the vaccination of employees against tick-borne encephalitis. Vaccination is covered by the employee health insurance of AST. In addition, AST pays for the vaccination of employees outside the health insurance policy based on supporting documents as well.

The company monitors near misses as well; five (5) near misses have been identified during the reporting period, which are related to compliance with road traffic regulations. An assessment has been made in all cases.

In 2020, there were no work-related deaths in the company. Accidents are listed and investigated in accordance with the laws and regulations of the Republic of Latvia. Appropriate additional training for employees is provided as well.

In accordance with the Order "On the Results of Occupational Risk Assessment and the Plan of Labour Protection Measures", in 2020, the following measures have been taken to the extent envisaged:

The Company has established a Labour Protection System based on the national legislation and ISO 45001 requirements. Employees are regularly trained, instructed, as well as regular knowledge tests are conducted for those employees who perform works in the electrical equipment. Employees are regularly subjected to the mandatory health examinations and vaccination. Employees are provided with the necessary personal protective equipment and the necessary equipment for safe work practices. In the Company, occupational risks are regularly assessed, taking the accidents that have occurred into account, measures are taken to reduce occupational risks by continuously improving the safety of employees at work and the work environment.

Accidents	2020	2019	2018
Number of accidents (tick infection)	2	3	1
Number of accidents (not serious)	3	2	2
Number of accidents (fatal)	0	1	0

Allocating by gender one female was injured in 2020.

Every year, AST develops and approves an occupational safety plan to prevent occupational risks. After the mandatory health examinations, measures are taken to ensure the working environment. The necessary equipment for limiting occupational risks is purchased.

403-4

LABOUR PROTECTION ISSUES INCLUDED IN THE COLLECTIVE AGREEMENT

The AST Collective Bargaining Agreement covers labour protection issues and cooperation in resolving these issues:

- the employer, the trade union and the employees have confirmed their responsibility related to the improvement of the labour protection system, including the assessment of occupational risks and minimisation of the impact of risks;
- AST regularly informs employees and trade union representatives about current events related to the Company's economic activities, development, and planned changes in the organisational structure;
- includes an agreement on the term of election of trustees, which is five years, as well as the involvement of trustees in the improvement of labour protection;
- the obligations of the employer are also indicated in the case that an accident at work has occurred.

EU18

PERCENTAGE OF ALL PARTNERS AND THEIR SUBCONTRACTORS WHOSE EMPLOYEES HAVE RECEIVED HEALTH AND SAFETY TRAINING

AST provides all (i.e., 100%) of the contractors' personnel with instruction and training for the safe performance of work, as required by Latvian legislation, Latvian energy standards and mutually agreed agreements. Contractor's employees are instructed by the Company's labour protection specialists. Instructions and binding documents for the safe execution of the work are available electronically as well and shall be read by the contractor's personnel.

REPORT OF THE INDEPENDENT AUDITOR

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

INDEPENDENT LIMITED ASSURANCE REPORT ON SELECTED, MATERIAL INDICATORS PRESENTED IN THE SUSTAINABILITY REPORT FOR 2020 OF AS AUGSTSPRIEGUMA TĪKLS

To the Shareholder of AS "Augstsprieguma tīkls"

Scope of work performed

We have undertaken a limited assurance engagement on the selected, material indicators of AS "Augstsprieguma tīkls" ("the Company") presented in the Sustainability report for 2020 ("the Sustainability Report").

The Sustainability Report is presented in accordance with GRI Standards for "Core" level, issued by Global Reporting Initiative (GRI).

Responsibility of the Management Board of the Company

The Management of the Company is responsible for the preparation and presentation of the selected indicators presented in the Sustainability Report in accordance with GRI Standards for "Core" level, issued by Global Reporting Initiative (GRI). This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for reliable, correct and fair information and for correct preparation of the documentation provided to us.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In compliance with International Standard on Quality Control No 1, issued by International Federation of Accountants Deloitte maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of the Subject Matter and Criteria

We have evaluated whether selected, material indicators included in the Sustainability Report for 2020 are presented in accordance with GRI Standards for "Core" level. We have performed limited assurance engagement procedures for the following selected, material sustainability indicators, and they have been selected by our professional judgment and basing on consultation with the Company:

- Core standards – Facts, Performance Indicators, Stakeholder Cooperation, Key Issues Addressed, Reporting Principles, Identifying Key Sustainability Aspects;
- Specific standards (Optional) - Dividend policy, Implemented activities, Economic value and performance of the company in the national economy, Development of system management and electricity market, Indirect impact of infrastructure development projects on the economy, Approved cases of corruption and measures taken, Restriction of competition, Energy and energy efficiency of the company, Greenhouse gas emissions and water pollution, Waste management and environmental impact, Types of accidents and incidents, Non-compliance with social and economic legislation.

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected indicators as marked in the GRI index presented in the Sustainability Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected indicators presented in the Sustainability Report for 2020 are free from material misstatement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

We performed the following procedures:

- Through inquiries of the Management of the Company, obtained an understanding of control environment and information systems relevant to reporting the selected indicators under review in accordance with GRI Standards.
- We evaluated the processes for obtaining, compiling and presenting the information included in the 2020 Sustainability Report.
- Through inquiries of the Management of the Company evaluated on a sample basis data for the selected indicators under review.
- On a sample basis performed evaluation of the data for the selected indicators under review.
- Reviewed documents in order to confirm representations of the managements of the Company obtained during the interviews.
- Compared the information included in the Sustainability Report for 2020 to the financial statements for 2020 of the Company.
- Evaluated overall format and content of the Sustainability Reports taking into account the compliance of the reported information with the applicable indicators.

Limitations

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Our limited assurance engagement has been limited to the selected indicators, as listed above and does not extend to the rest of the information included in the Sustainability Report nor the report as a whole. Accordingly, our conclusion below covers only these selected indicators and not all data presented or any other information included in the Sustainability Report.

The process the organization adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non- comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Sustainability Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information.

Deloitte.

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

Limited assurance conclusion

Based on our work we have obtained limited assurance that the information concerning the selected indicators, as listed above, included in the Sustainability Report developed by the AS Augstsprieguma tīkls are not incompliant with GRI Standards for 'Core' level issued by Global Reporting Initiative and no matters has come to our attention to cause us to believe that the reviewed indicators presented in the Sustainability Report are materially misstated.

Deloitte Audits Latvia SIA
Licence No 43

Inguna Staša
Board member
Sworn auditor
Certificate No 145

Riga, Latvia

18 June 2021