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**AUGSTPRIEGUMA TĪKLS AS
SUSTAINABILITY REPORT 2019**

AST 80 YEARS
MOVING
ENERGY

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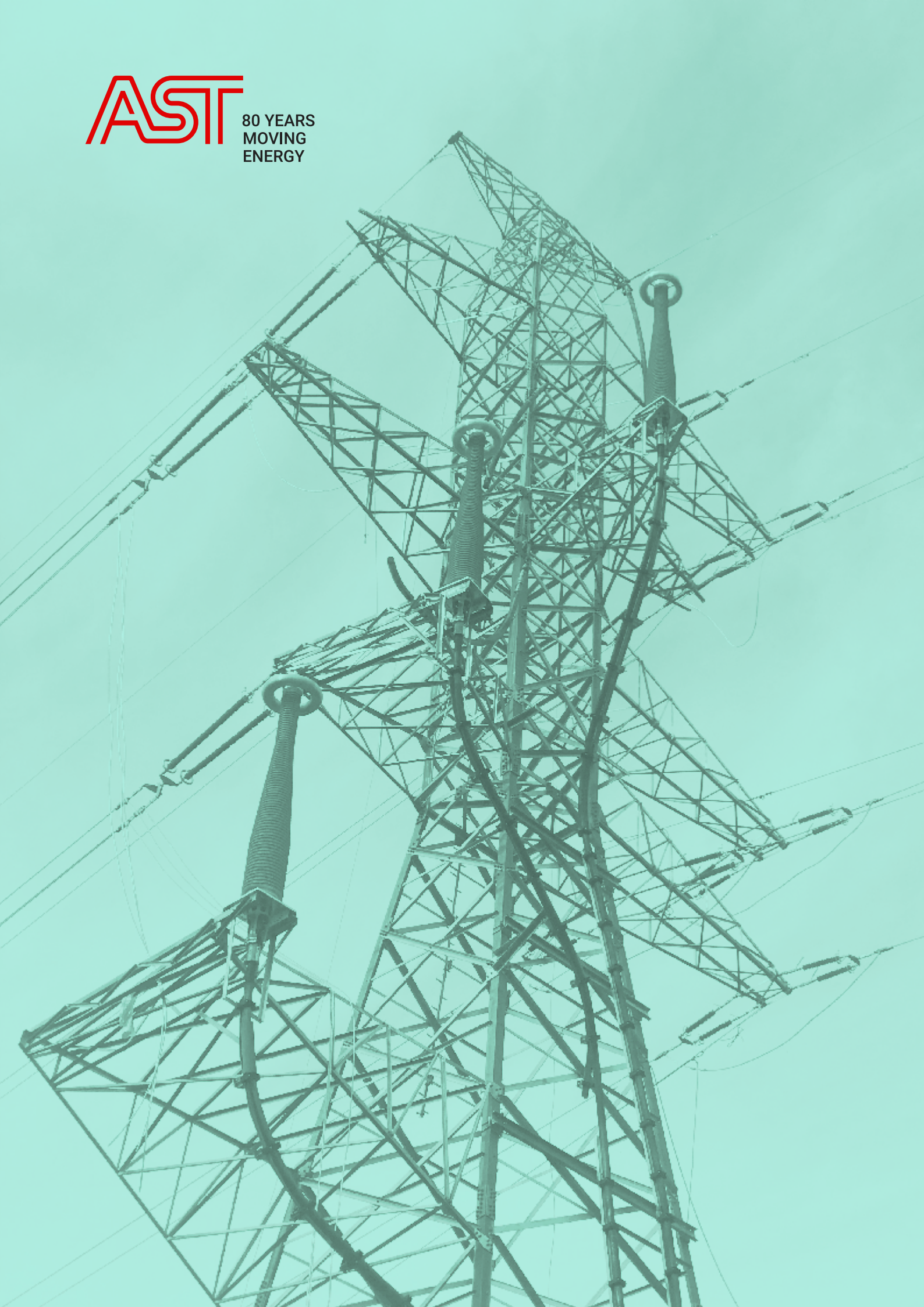
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LIMITED ASSURANCE REPORT
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ON THE SUSTAINABILITY
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THE SUSTAINABILITY REPORT OF
AS AUGSTSPRIEGUMA TĪKLS.

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AST

80 YEARS
MOVING
ENERGY



AS AUGSTSPRIEGUMA TĪKLS (HEREINAFTER – AST) IS THE SOLE INDEPENDENT TRANSMISSION SYSTEM OPERATOR OF THE REPUBLIC OF LATVIA. THE OVERALL STRATEGIC OBJECTIVE OF AST IS TO ENSURE THE SECURITY OF ENERGY SUPPLY OF LATVIA, TO PROVIDE A CONTINUOUS, HIGH-QUALITY AND AFFORDABLE ENERGY TRANSMISSION SERVICE, AS WELL AS TO IMPLEMENT SUSTAINABLE MANAGEMENT OF ENERGY SUPPLY ASSETS OF STRATEGIC IMPORTANCE TO THE COUNTRY AND TO FACILITATE THEIR INTEGRATION IN THE INTERNAL ENERGY MARKET OF THE EUROPEAN UNION (HEREINAFTER – EU).



Varis Boks, Chairman of the AST Board

The strategic direction of AST is focused on sustainable development: the Company's history dates back eight decades, since the Ķegums HPP and the first high-voltage line to Riga that started operating in 1939; however, the Company's identity and values were strengthened in the last decade when AST became an independent transmission system operator. Thus, by separating electricity management from generation and distribution, both in Latvia and in Europe, system operators were given the opportunity to develop, restricting historical energy monopolies and freeing up the way for competition both locally and on a European scale. In 2019, a decision was taken to transfer transmission assets to AST by the end of 2020.

AST focuses on sustainable growth to improve the services provided to the Latvian and Baltic electricity market participants. Taking the principles of operation of the electricity market of Latvia into account, AST will continue to provide non-discriminatory access to the transmission system for both electricity producers and transmission system users in accordance with the principles of fairness, transparency and equality, both by constructing new and renovating existing connections.

When setting long-term strategic objectives, AST has been guided by the objectives set in the Sustainable Development Strategy of Latvia until 2030, the National Development Plan for 2014-2020, as well as the Energy

Development Guidelines for 2016-2020. One of the priority objectives set out in the above-mentioned strategic planning documents is to ensure the country's energy independence by increasing the self-sufficiency of energy resources and integration into the EU energy networks.

In approving the Medium-term operational strategy for 2016-2019, AST has defined the following groups of strategic objectives:

- Strengthening of the energy security of Latvia by integrating into the EU electricity market and ensuring the development of Latvia's transmission system in accordance with the electricity transmission system development plan approved by the Public Utilities Commission (hereinafter – PUC) for a ten-year period.
- To ensure safe operation of the Latvian electricity system and quality electricity supply to customers;
- To ensure sustainable and thoughtful economic activities, ensuring the efficient use of energy resources, monitoring of environmental risks, preventing, or reducing pollution from the activities of AST.
- To verify AST as a socially responsible company by meeting customer needs in a timely, responsive, technically and economically sound manner and in accordance with the law.

During the reporting period, the Medium-term operational strategy for 2020-2025 was developed and submitted to the Cross-Sectoral Coordination Centre for an opinion.

Taking care of the development of a sustainable economy in Latvia, as one of its priority objectives, AST has set the implementation of measures to reduce the increase of electricity transmission system service tariffs. To achieve this objective, AST attracts EU co-financing to finance its capital investments and uses the accumulated income from the congestion charges. Therefore, almost 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. It should be noted that the transmission of electric power is a regulated industry, in which the permissible profit and rate of return on capital are determined by approving electricity transmission system service tariffs. The profitability of AST from the provision of electricity transmission services in 2019 is appropriate to the one set in the Electricity transmission system services tariff methodology.

IN 2019, THE IMPROVEMENT OF THE EFFICIENCY OF THE AST BUSINESS OPERATIONS THAT WAS STARTED IN 2017 AND COST OPTIMISATION WERE CONTINUED.

Carrying out the policy of the EU regarding the single electricity market, AST continues to actively participate in the activities of integration of the internal electricity market of the EU, both within the EU and in the Baltic region. The main challenges for the upcoming years will be related to the synchronisation of the Baltic states with continental Europe.

In order to ensure safe operation of the Latvian electricity system, efficient functioning of the electricity market, and the prevention of equipment obsolescence, AST is reconstructing and modernising high-voltage substations and electricity distribution points. Taking the development trends of the electricity systems of Latvia and neighbouring countries into account, AST evaluates and decides on the development of the interconnections of the Latvian electricity transmission system, as well as on the need to strengthen and modernise the internal network.

The Electricity Transmission System Development Plan developed by AST and approved by the decision of PUC for the period from 2020 to 2029 determines the development of the transmission system and the necessary financial investments, envisaging investments of EUR 413 million in the development of the electricity transmission system.

In 2019, the purposeful development of the transmission network was continued: one of the most ambitious transmission network strengthening projects "Kurzeme Ring" was completed, by implementing its third stage. In the third stage, investments have been made in the construction of power transmission lines from Ventspils to Riga and the substation in the amount of EUR 127 million, including EUR 55 million of EU co-financing. The length of the newly built line is 207 km, and it crosses 11 municipalities. In 2020, it is planned to complete two more ambitious development projects, which envisage the construction of new power lines: "Third Estonia - Latvia interconnection", which will connect Riga CHP-2 with Kilingi-Nimme in Estonia (the length of the line in Latvia - 176 km, costs - EUR 84 million, including 62% of EU co-financing) and "330 kV power transmission line Riga CHP-2 - Riga HPP" (the length of the line - 13 km, costs - EUR 14.58 million, including 50% EU co-financing). In all these projects, the most modern and advanced construction methods have been used.

Corporate and social responsibility policy has been developed and approved by AST. Corporate and Social Responsibility (hereinafter - CSR) Policy defines the forms, basic principles and directions of CSR, as well as criteria for choosing activities. AST participates in the annual "Sustainability Index" managed by the Corporate Responsibility and Sustainability Institute, and in 2019, the Company received the top Platinum award (as an assessment of its work in 2018). At the same time the company received the title 'Family-Friendly Merchant' from the Ministry of Welfare.

AST 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 (OHSAS 18001:2007) (occupational safety), ISO 50001:2011 (energy management) standards.

The implemented Integrated Management System ensures the efficient operation of AST, observing internationally accepted operating mechanisms regarding quality, energy management, environment protection, occupational and occupational health management, ensuring correct compliance with regulatory requirements, promoting awareness of the business context of AST, taking the view of AST's risks and processes into account.

Increased attention is paid to energy efficiency issues. The Energy Management Policy of AST 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.

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REGARDING THE REPORT

102-50	Accounting period	01.01.2019-31.12.2019
102-49		
102-48	Reporting frequency	The third report of <i>AS Augstsprieguma tīkls</i> is based on international GRI guidelines. In the future, it is also planned to prepare annual sustainability reports in accordance with the standards.
102-52		
102-51	Date of publishing	
102-54	Global Reporting Initiative	The 2019 Sustainability Report has been prepared in accordance with the requirements of the <i>Core</i> guidelines of the <i>GRI Standards</i> and incorporates the 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 <i>AS Augstsprieguma tīkls</i> (see section “Briefly about AST”).
102-46	Principles for determination of the content of the report	<p>The AST report reveals information on aspects and indicators relevant to its activity and sustainable development. In accordance with basic level (<i>Core</i>) requirements, the report discloses the general standard information (<i>General Disclosures</i>) 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 <i>Core</i> indicators, 3 industry-specific <i>Core</i> indicators and 41 key indicators were added.</p> <p>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 2019, AST gathered the views of interested and impact parties, covering 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.</p>
102-56	Audit Certificate	The Audit Certificate on the 2019 Sustainability Report has been provided by <i>SIA Deloitte Audits Latvia</i>
	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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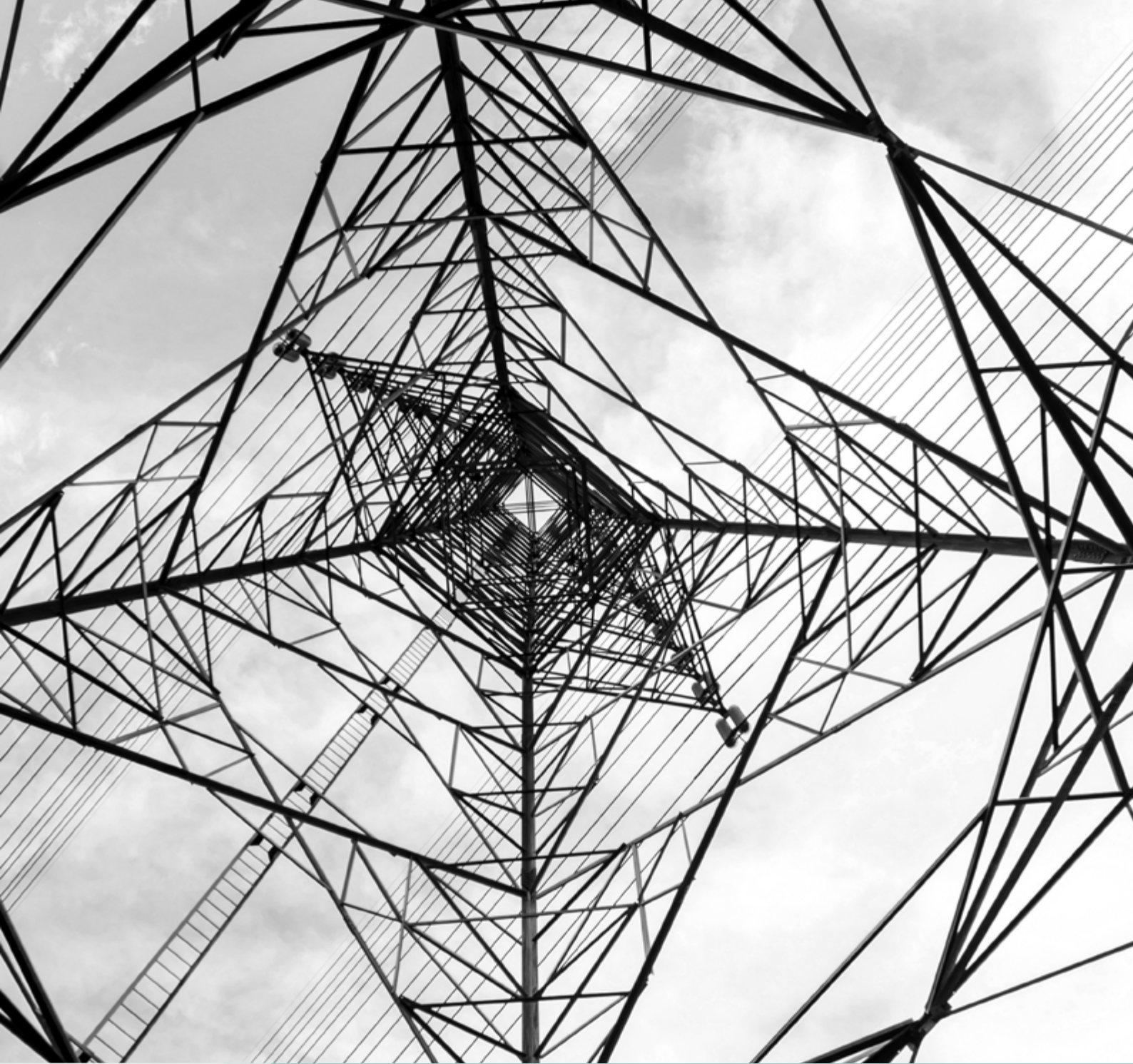
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PROFILE OF AST

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%).

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AST's legal address is 86 Dārziema 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.)

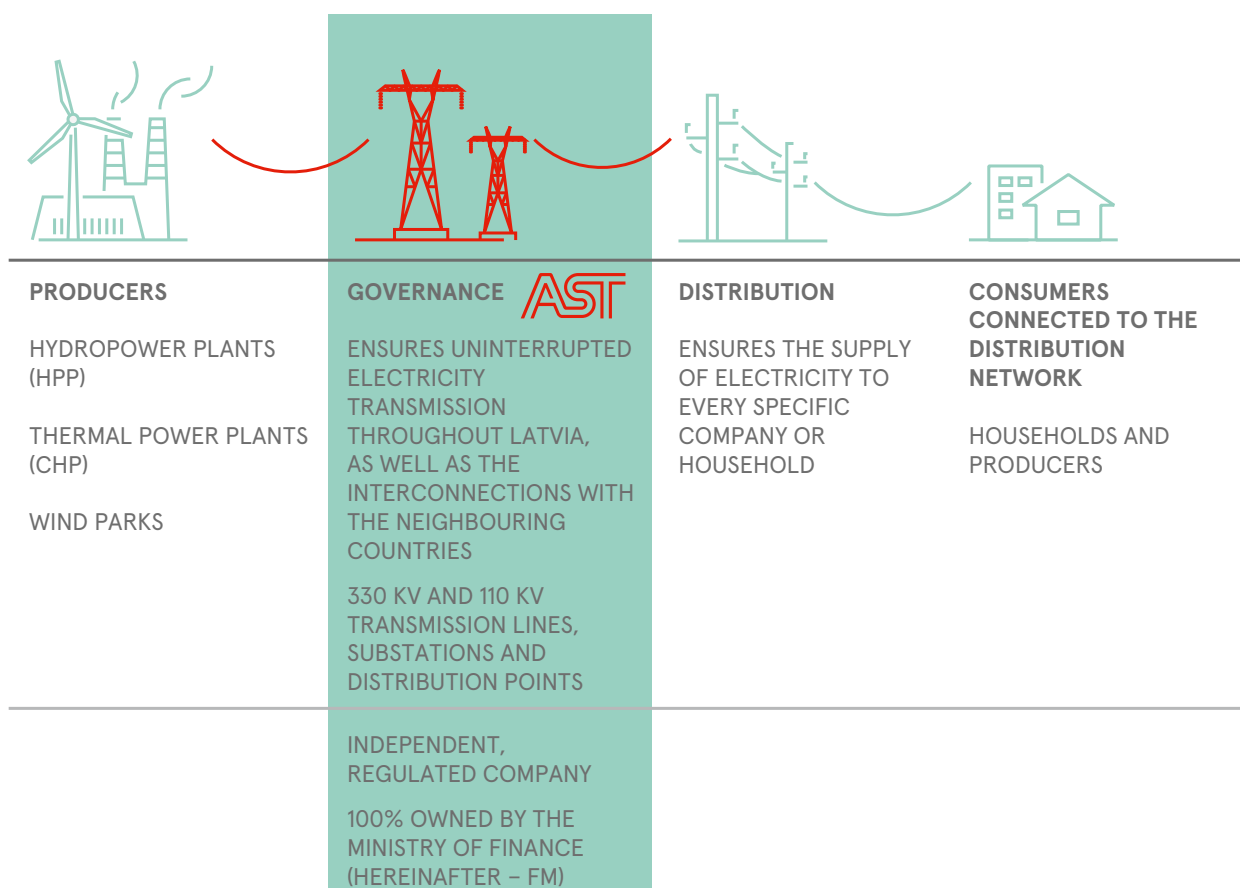
AST is an independent Transmission System Operator of the Republic of Latvia (hereinafter – TSO), which provides transmission system services and ensures balancing and stability in the transmission system.

According to the issued licence No. E12001, Section 11, Paragraph one 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*.

Paragraph No. 38 of Protocol Decision No. 46 of the Cabinet session of 8 October 2019 supported the implementation of the full ownership separation model regarding the electric power transmission system operator and assigned the task of contributing the *AS Latvijas elektriskie tīkli* shares owned by the State to *AS Augstsprieguma tīkls* by 1 July 2020.

In turn, paragraph No. 75 of Protocol Decision No. 59 of the Cabinet session of 17 December 2019 stipulated that after the contribution of the *AS Latvijas elektriskie tīkli* shares owned by the State to *AS Augstsprieguma tīkls*, reorganisation of *AS Augstsprieguma tīkls* and *AS Latvijas elektriskie tīkli*, LET should take place by incorporating *AS Latvijas elektriskie tīkli* into *AS Augstsprieguma tīkls* by 31 December 2020.



OPERATION OF THE COMPANY IS CHARACTERISED BY THREE DIRECTIONS:



Provision of electricity transmission system services



Maintaining and Developing the Electricity Market



Management, development, and integration of the electricity transmission system into the European power system

MISSION:

To ensure continuous, secure, and sustainably efficient electricity transmission throughout Latvia.

VISION:

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

VALUES:

Confidence, safety, development and team are the basis of all our activities; therefore, we expect our employees to be honest, smart, responsible and common in their activities.

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), ISO 50001:2011 (energy management) standards.

The implemented Integrated Management System ensures efficient operation of the 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.

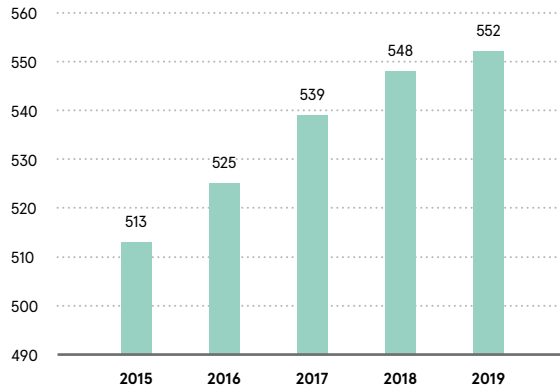
A QUALITY POLICY HAS BEEN DEVELOPED IN THE COMPANY, THAT, BASED ON THE ENERGY LAW, THE ELECTRICITY MARKET LAW AND THE NETWORK CODE, DEFINES THE **COMPANY'S CORE VALUES:**



THE FACTS, 2019

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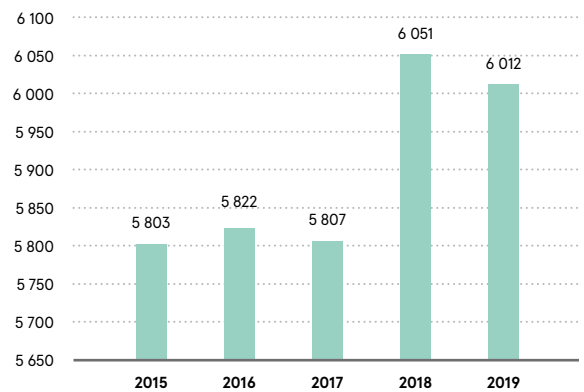
NUMBER OF EMPLOYEES



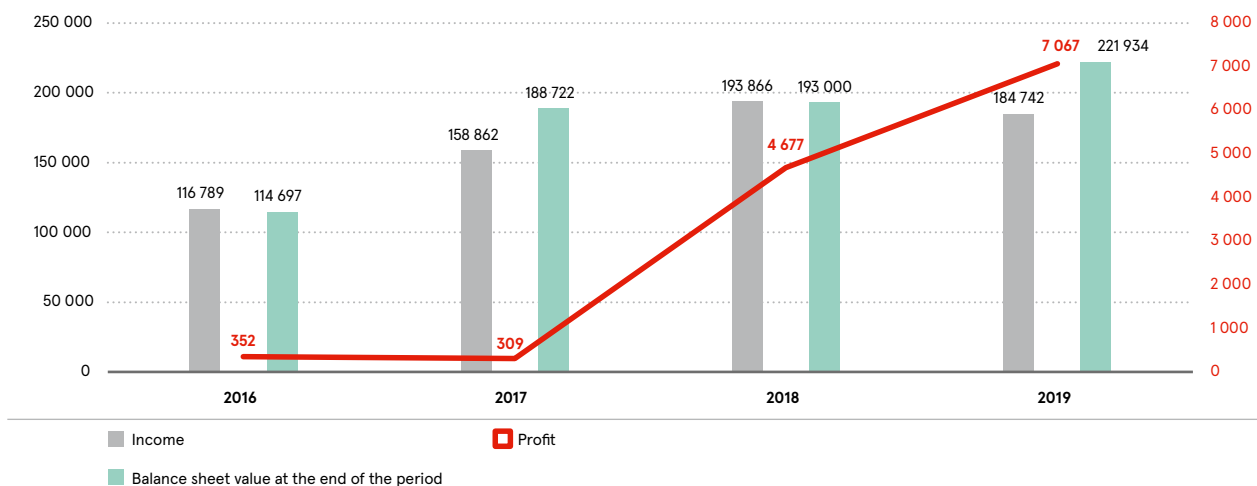
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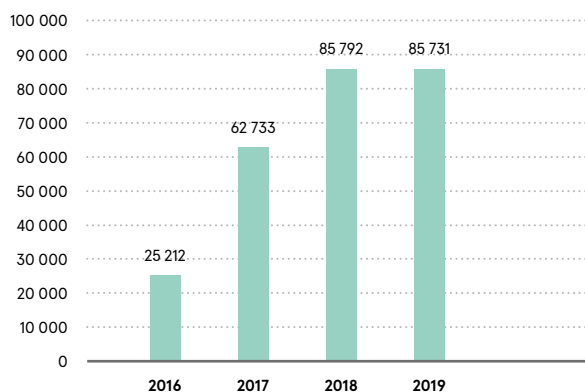
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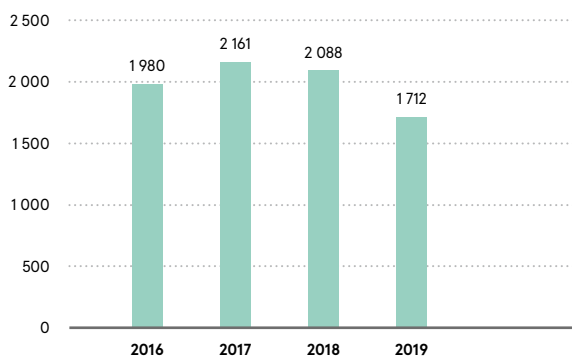
FINANCIAL INDICATORS, THOUSAND EUR



CAPITAL INVESTMENTS IN TRANSMISSION ASSETS, thousand EUR



REALISED MAINTENANCE REPAIRS OF THE ASSETS THOUSAND EUR



NEWS AND EVENTS



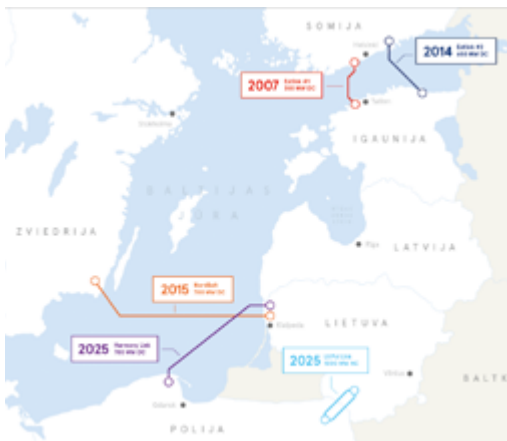
THE EU ALLOCATES AST EUR 57.75 MILLION FOR THE IMPLEMENTATION OF THE FIRST PHASE OF THE SYNCHRONISATION PROJECT

EU decided to grant 323 million euros to finance the project of synchronising the electric networks of the Baltic states and Europe, with AST receiving 57.75 million euros, which is 75% of the funding necessary to carry out the infrastructure work of the first stage of the synchronisation project. The corresponding grant agreement with INEA was signed in March.



AST GETS PLATINUM AWARD OF THE SUSTAINABILITY INDEX

AST received the highest Platinum Award of the Sustainability Index managed by the Corporate Sustainability and Responsibility Institute for the first time, demonstrating the compliance of its corporate responsibility level with the strictest of standards, and showing that the company cares about the welfare of its employees and clients. In addition to the Sustainability Index award, AST got the title of a Family-Friendly Company from the Ministry of Welfare, which considered AST to be a company that cares for and maintains a positive attitude towards its clients, employees and their families.



CABINET OF MINISTERS APPROVES PLANS TO SYNCHRONISE LATVIAN POWER NETWORKS WITH EUROPE IN 2025

On 21 May 2019, the Cabinet of Ministers approved the plan to synchronise Latvia's electric power networks with the European electric power system in 2025, and authorised the signing of the agreement developed by AST and other TSOs for the connection of the electric power systems of the Baltic states with the continental Europe electric power system. AST signed an agreement on 22 May 2019 in accordance with government authorisation.



THE AST CUSTOMER CENTRE COMMENCES ITS WORK

For improving customer convenience and increasing the quality of customer service, a Customer Centre was opened on 1 March at the AST head office at 86 Dārziema Street. In the new Customer Centre, it is possible to submit documents for project coordination, as well as receive technical expertise services.



AST IS THE THIRD MOST POPULAR EMPLOYER AMONG ENERGY COMPANIES.

The employee selection company *CV-Online Latvia* carried out a 2019 Top Employer Survey, in which AST took third place as the most popular and best appreciated employer among Latvia's energy companies. In the overall ratings, the AST ranking is 26-27.



AST RENEWS FOUR INTERNATIONAL ISO CERTIFICATES

As a sign of the company's sustainable development, AST renewed four international ISO certificates in April. The AST integrated management system that comprises quality management, environmental management, energy management and occupational health and safety management underwent an audit and was found to comply with the requirements of the ISO 9001, ISO 14001, ISO 50001 and ISO 45001 standards.



THE FINAL STAGE OF THE POWER TRANSMISSION STRENGTHENING PROJECT "KURZEME RING" HAS BEEN OPENED

To mark the completion of the AST electricity transmission network strengthening project "Kurzeme Ring", in September, the Prime Minister of Latvia *Krišjānis Kariņš*, Director of the *Innovation & Networks Executive Agency (INEA)* Dirk Beckers and AST Chairman of the Board *Varis Boks* inaugurated the final (third) stage of the project "Kurzeme Ring".

"Kurzeme Ring" is a very ambitious project, carried out in order to strengthen the electricity transmission network, since the restoration of Latvian independence. 127 million euros (including 55 million euros of EU co-financing) was invested in the construction of the third stage that goes from Ventspils to Riga. The length of the newly built line is 207 km, and it crosses 11 municipalities.

Within the framework of the project, significant investments have been made in substations. Substations Talsi, Dundaga, Kandava, Valdemārpils and Priedaine underwent complete reconstruction of the 110 kV substation, demolishing the old one and rebuilding everything completely, while Tume, Tukums, Dzintari, Sloka and Ķemeri 110 kV substations had their throughput increased – connection wiring, busbars, instrument transformers, etc. were changed. A new 110 kV distribution point "Ķemeru parks", as well as a new 330 kV switchgear in Tume has been built, installing a 330/110 kV 125 MVA auto-transformer and a 120 MVA shunt reactor, as well as the 330 kV substation "Imanta" in Riga was expanded.



PARTICIPATION IN 'PCI ENERGY DAYS' EXHIBITION

On 19 and 20 March, AST joined the 'PCI Energy Days' conference and exhibition devoted to energy infrastructure projects and organised by the European Commission (EC) in Brussels; in it, the Company presented its 'Third Latvia – Estonia Interconnection' project. The 'PCI Energy Days' conference and exhibition is devoted to the promotion of common interests. During the event various entities completing projects all over Europe could present their projects and share their experience implementing them.

THE CABINET OF MINISTERS SUPPORTS THE TRANSFER OF OWNERSHIP OF THE TRANSMISSION SYSTEM ASSET TO AST.

In October, the Cabinet of Ministers supported the complete transfer of ownership over transmission system assets (namely, 330 kV and 110 kV power transmission lines, substations, and distribution stations) to AST by the end of 2020. Since 2011, when member states of the EU were required to separate their transmission system operators from historical electric power supply monopolies, AST has been fulfilling the functions of a transmission system operator, while the assets necessary for the operation of the system were leased from AS Latvijas elektriskie tīkli (LET), a subsidiary of AS Latvenergo, with AST spending approximately 40 million euros in lease fees every year.



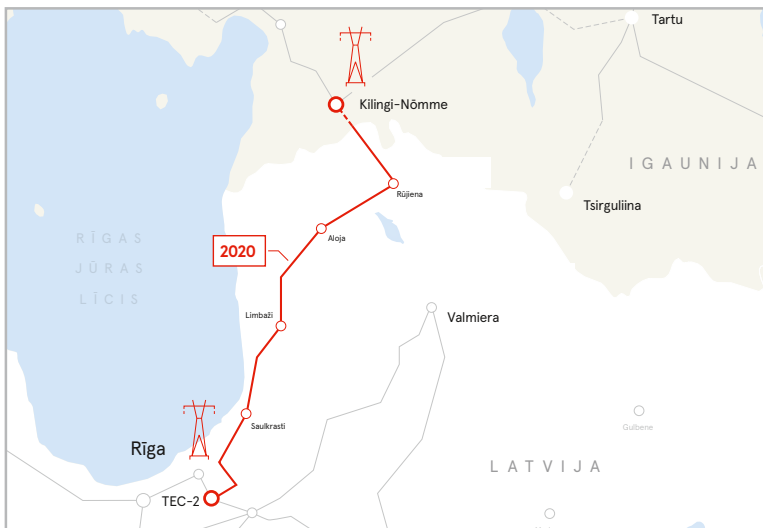
AST AND RTU SIGN A COOPERATION AGREEMENT TO DEVELOP SOFTWARE INTENDED TO IMPROVE THE SAFETY OF THE BALTIC ELECTRIC POWER TRANSMISSION NETWORK

In April, the Faculty of Power and Electrical Engineering of Riga Technical University (RTU) presented jointly developed projects, signing a cooperation agreement, and opened the 'Energy in Motion' exhibition, strengthening the long-lasting cooperation between the university and AST. The collaboration agreement implies scientific work in electrical engineering and transfer of knowledge and technology to working environments, promoting development and growth. AST will provide internships to RTU students, in accordance with their study programmes.



PHOTO EXHIBITION "ENERGY ON THE MOVE"

Promoting and highlighting energy professionals and craftsmen, AST implemented the "Energy on the Move" project in collaboration with the photographer, Reinis Hofmanis. The aim of the project is to highlight the prestige of the profession and professional and vocational education; the pictures demonstrate AST employees in their usual work environment: AST employees as manifestations of energy, which, like the constantly moving electric charges, enable continuous, safe and sustainable energy management throughout the whole of Latvia. The traveling exhibition was on display at the RTU Faculty of Power and Electrical Engineering, in the regional branches of the university, as well as in professional technical educational institutions throughout Latvia.



CONSTRUCTION OF 330 KV ELECTRIC LINES, "THIRD ESTONIA - LATVIA INTERCONNECTION" HAS BEEN COMMENCED

In February, in North Vidzeme, in Rūjiena and Mazsalaca districts, AST commenced the construction works of the first stage of the project "Third Estonia - Latvia 330 kV interconnection", by beginning to work on concreting the foundations of the line poles, while in May the first poles of the new power line were raised. The project is planned to be completed in 2020.

OVER 10 YEARS, AST PLANS TO INVEST 413 MILLION EUROS IN DEVELOPMENT.

According to the ten-year development plan for the Latvian electric power system approved by the Public Utilities Commission, within the period between 2020 and 2029 the Latvian electric power transmission system operator *AS Augstsprieguma tīkls* (hereinafter – AST) plans to invest 413 million euros in its own development. Four development projects with an estimated investment of 197 million euros have been awarded EU co-financing via the Connecting Europe Facility. In order to stop the ageing of the Latvian electricity transmission network and substations, thus ensuring the stable operation of the transmission system, it is planned to invest EUR 216 million in the maintenance of the system during the period until 2029.



AST AND AS SADALES TĪKLS OPENS A NEW SUBSTATION IN SKRUNDA

In order to ensure high-quality and safe electricity supply to Skrunda Municipality and the necessary electricity network connection capacity, in June, *AS Sadales tīkls* and AST jointly opened the newly built substation “Skrunda”. The construction of the new 110/20 kV substation “Skrunda” began in 2017 and its electricity supply was ensured by the 110/20 kV substation “Rudbārži” built in 1966.



AST CAR FLEET WINS BRONZE RATING IN THE COMPETITION “THE SAFEST COMPANY CAR FLEET”

This year, AST participated in the competition “Safest Company Car Fleet”, in which our car fleet was awarded a bronze prize. The competition is organised in cooperation with the insurance joint stock company “Balta” and the Ministry of Transport and partners; the purpose of it was to initiate understanding of the state authorities and municipalities and the need for a safe car fleet of the company, as well as to promote good practice in their management.



DURING THE OPEN DAYS, THE WORK OF AST IS INTRODUCED TO STUDENTS FROM ALL OVER LATVIA

During the open days, more than 30 students from all over Latvia (from Riga Technical University, Riga State Technical School and Kandava Agricultural Technical School) got acquainted with the work of AST. The young people had the opportunity to get acquainted with the daily work of the AST Dispatcher Service and the Technical Expertise Service, as well as to visit the new substation “Skanste”.

INEA PRAISES THE PROGRESS OF THE AST DEVELOPMENT PROJECT CO-FUNDED BY THE EU

Representatives of the Innovation and Networks Executive Agency (INEA) visited Latvia on 4 and 5 June and praised the work already completed by AST using the funding provided by the *Connecting Europe Facility* (CEF), and building the co-financed infrastructure.

GOVERNANCE AND STRUCTURE OF THE COMPANY

102-18

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.

STRUCTURE



Ministru kabinets

SHAREHOLDER CABINET OF MINISTERS



MEETING OF SHAREHOLDERS FM STATE CAPITAL HOLDER REPRESENTATIVE

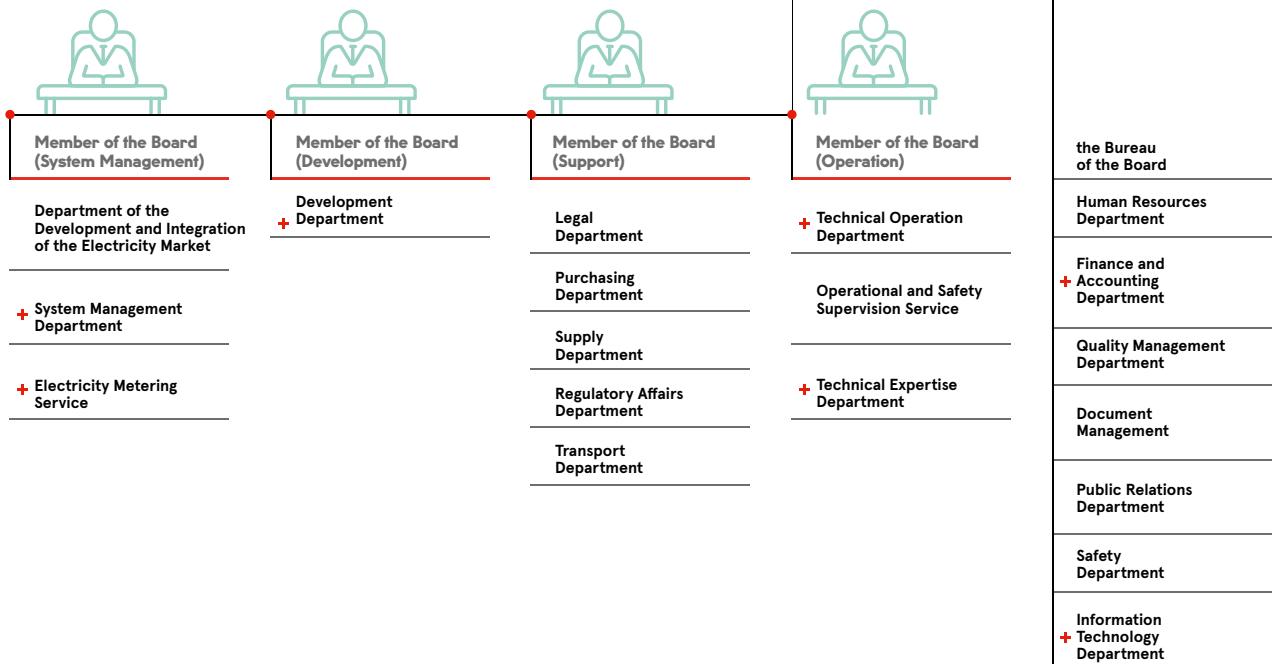


SUPERVISORY BOARD

Internal Audit Division



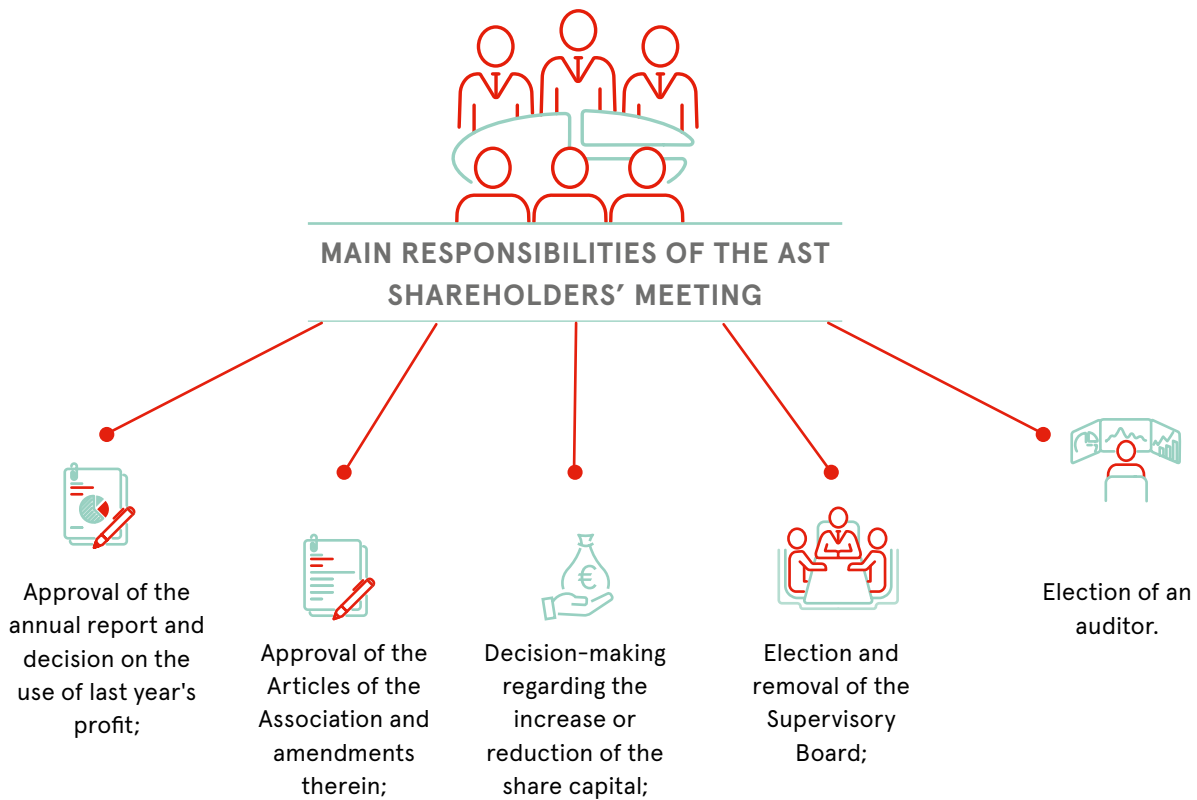
CHAIRMAN OF THE BOARD



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 2019, 7 Shareholders' Meetings were held, during which several significant decisions were made, including those related to the approval of the 2018 annual report, the use of the profit of 2018, the election of the auditor for the 2019 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.



SUPERVISORY BOARD

102-26

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, several significant changes took place in the composition of the AST Supervisory Board. Until 19 March 2019, *Dr sc. ing. Vilnis Krēslis* served as Chairman of the AST Supervisory Board (died), while until his resignation on 31 August 2019, *Dr oec. Jurijs Spiridonovs* served as Deputy Chairman of the AST Supervisory Board.

In order to ensure the legal capacity of the AST Supervisory Board, *Kaspars Āboliņš* and *Karina Ploka* were elected to the Supervisory Board by the decision of the AST Shareholders' Meeting of 13 September 2019; *Karina Ploka* resigned on 15 September 2020. *Dr oec. Olga Bogdanova* continued to work as a member of the Supervisory Board.

The decision of the Extraordinary Shareholder's Meeting of AST of 30 December 2019 extended the composition of the AST Supervisory Board to five members and, taking the results of the announced competition for vacancies of the members of the Supervisory Board and the recommendations of the independent selection committee into account, appointed four members of the AST Supervisory Board: *Kaspars Āboliņš*, *Armands Eberhards*, *Madara Melne*, and *Aigars Ģērmanis*.

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.

Whereas, after evaluating her achievements so far, during the Shareholders' Meeting the shareholders decided to extend *Olga Bogdanova's* term of office. She has been a member of the Supervisory Board since 18 October 2016. The term of office of the elected council members will expire on 30 December 2024.

Pursuant to the decision of the AST Supervisory Board of 30 December 2020, pursuant to the regulatory enactments, *Kaspars Āboliņš* was elected as Chairman of the AST Supervisory Board and *Olga Bogdanova* as Deputy Chairman of the Supervisory Board.

In total, 17 meetings of the AST Supervisory Board took place in 2019 and 65 decisions were taken.

In addition to 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:

- Baltic electricity network synchronisation project with continental Europe;
- on the measures restricting the increase of electricity transmission system service tariffs;
- the progress of the realisation of the capital investment plan in the leased transmission assets;
- the transfer of assets of the transmission system; progress of the administrative building reconstruction project.

<http://www.ast.lv/lv/content/padome>

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.

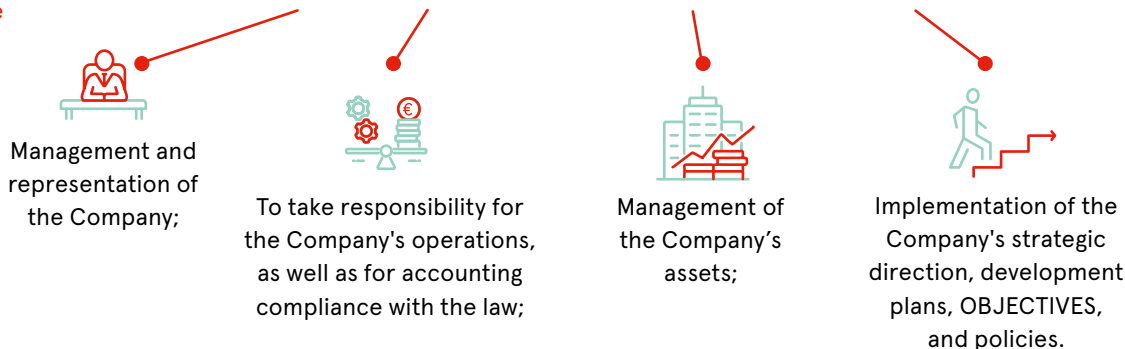
The tasks and responsibility of the AST Board are subject to the laws and regulations. The operating principles of the AST Board, as well as its main responsibilities are set out in the Statutes and the Statutes of the Board. All members of the Board are independent in their activities and the members of the Board have no participation in the capital of cooperation partners or affiliated companies.

IN TOTAL, 54 AST BOARD MEETINGS TOOK PLACE IN 2019, DURING WHICH 200 BOARD DECISIONS WERE REVIEWED AND ADOPTED.



MAIN RESPONSIBILITIES OF THE AST BOARD:

<http://www.ast.lv/lv/content/valde>



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. 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 a member of the Board, therefore, the severance pay shall not be paid.

Remuneration for 2019 for the Chairman of the AST Supervisory Board (01.01.2019–19.03.2019) is EUR 7,276, (13.09.2019–31.12.2019) – EUR 5,556, for a member of the Supervisory Board (01.01.2019–30.08.2019) –

EUR 20,000, (01.01.2019–31.12.2019) – EUR 32,500, for a member of the Supervisory Board (13.09.2019–15.09.2019) – EUR 119, the rest of the Members of the Supervisory Board (30.12.2019–31.12.2019) – EUR 139.

Remuneration for 2019 for the Chairman of the AST Board – EUR 124,446, for a member of the Board (development) – EUR 111,659, for a member of the Board (operation) – EUR 111,121, for a member of the Board (support) – EUR 112,306, for a member of the Board (system management) – EUR 112,725.

102-35

INTERNAL AUDIT

102-56

The purpose of the internal audit of AST is to provide the Company's management with an objective assessment of the effectiveness of the Company's risk management, control and governance processes without a conflict of interest, in order to increase the value of the organisation and improve its operations. Internal audit helps an organisation to achieve its goals by implementing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.

The internal audit of AST is carried out by the Internal Audit Department (IAD), which is a permanent and independent structural unit of AST. In line with the best practices, the independence of the IAD is ensured through the implementation of a dual accountability model: administratively, the IAD is directly subordinate to the Chairman of the AST Board, but functionally, it is directly subordinated to the AST Supervisory Board. Consequently, the general rules of the AST agenda apply to the personnel of the IAD, but the main addressee of the IAD reports and the performance evaluator is the Supervisory Board.

The internal audit activity applies to all AST risks, all processes, all departments and employees. The audit plan for the current year is drawn up by the IAD based on the risk assessment carried out and the priorities set by AST management. The current annual internal audit plan is approved by the AST Supervisory Board.

The professional guidelines of the IAD are set out in the International Institute of Internal Auditors' definition of the Internal Audit, the Code of Ethics, and the International Standards on Internal Auditing. The powers, rights, and obligations of the IAD are enshrined in the IAD regulations. The IAD is represented by an internal auditor with an internationally recognised certificate (CIA).

201-1

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 the 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 2019 (for the reporting year 2018), the share of profit to be disbursed in dividends is set at 77% 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. In the period from 2015, EUR 5,199 thousand were paid in dividends 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).

The profit distribution for 2019 is decided by the shareholders' meeting of *AS Augstsprieguma tīkls*.





KASPARS ĀBOLIŅŠ – CHAIRMAN OF THE SUPERVISORY BOARD

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
1981–1992	Secondary education at Riga Secondary School No. 58

TERM OF OFFICE: 30.12.2024

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 (<i>orig. Valsts kase</i>), 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 Municipal Lending and Collateral Control and Supervision Council
1997–2000	Ministry of Finance of the Republic of Latvia, Member of the Municipal Lending and Collateral Control and Supervision Council
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 CHAIRPERSON OF THE SUPERVISORY BOARD**

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)

TERM OF OFFICE: 30.12.2024

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

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

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/board member
2018	OECD/SIGMA (MeInkalne), 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

TERM OF OFFICE: 30.12.2024



MADARA MELNE, MEMBER OF THE SUPERVISORY BOARD

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

TERM OF OFFICE: 30.12.2024



AIGARS ĢĒRMANIS, MEMBER OF THE SUPERVISORY BOARD

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, Chair 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

TERM OF OFFICE: 30.12.2024

AST SUPERVISORY BOARD



**Mg. sc. ing. VARIS BROKS,
CHAIRMAN OF THE BOARD**

EDUCATION

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

WORK EXPERIENCE

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

PERIOD OF ENTRUSTMENT: 31.03.2021



Dipl. ing. IMANTS ZVIEDRIS, MEMBER OF THE BOARD

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 Agstsprieguma tīkls, Chairman of the Board

2000–2005 AS Latvenergo branch Augstsprieguma tīkls, Technical Director

1998–2000 SJSK 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

PERIOD OF ENTRUSTMENT: 17.12.2024



**Mg. sc. ing. MBA ARNIS STALTMANIS,
MEMBER OF THE BOARD**

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

PERIOD OF ENTRUSTMENT: 07.04.2021



**Dr sc. ing. GATIS JUNGHĀNS,
MEMBER OF THE BOARD**

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	<i>Elektrum Lietuva UAB</i> (Lithuania), Member of the Council
2008–2015	<i>Elektrum Lietuva UAB</i> (Lithuania), Chairman and CEO, Member of the Board
2015–2016	<i>Elektrum Eesti OÜ</i> (Estonia), Member of the Council
2007–2015	<i>Elektrum Eesti OÜ</i> (Estonia), Member of the Management Board
2006–2014	<i>JSC Nordic Energy Link</i> (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 SJS Latvenergo), Electrical Engineer

PERIOD OF ENTRUSTMENT: 24.04.2021



**Mg. iur. MĀRCIS KAULIŅŠ,
MEMBER OF THE BOARD**

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

PERIOD OF ENTRUSTMENT: 30.04.2021

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

102-11

102-30

102-33

102-34

102-56

INTERNAL CONTROL SYSTEM

In order 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.

In 2019:

- During the implementation of the Integrated Management System Internal Audit programme, 3 category II non-conformities, 87 observations, 16 recommendations and 20 positive observations were recorded;
- The certification supervisory audit was performed by the certification body DNV GL, no non-conformities were identified, 26 positive findings and 2 opportunities for improvement were recorded. Overall rating – 4.5 in a 5-point system. An important area of the audit is “improvement”. The management system is recognised as effective and in accordance with the standards.

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.

EFFICIENCY OF WORK PROCESSES

An integrated internal control system is in place for the efficiency of AST processes. At all levels of AST, specific persons responsible for setting up and carrying out controls have been identified. Process procedures set out process criteria that are constantly monitored in order to ensure the implemented processes are effective. Derogations are discussed promptly; corrective or preventive measures are proposed. At AST, effective communication is defined for operational management.

In order to continue to improve and develop, in 2018, an efficiency audit of AST processes was performed and a plan of measures for process improvement was approved. Continuing the work started, in 2019, with the involvement of the international audit firm *Ernst & Young Baltic*, an assessment of cost optimisation opportunities was performed, and a plan of measures was approved.

REPORTING

Reporting includes both internal and external reports on financial and non-financial activities, operating activities and development, management of the electricity transmission system (including electricity market reports) and efficiency of the performance. The reliability of the information given provides the AST management and personnel with accurate and complete

information, which is used in decision-making and in the implementation and monitoring of the Company's operations. External reports provide AST interested parties with information on the Company's financial situation and performance.

EXCHANGE OF INFORMATION AND COMMUNICATION

Internal and external communication and control system of AST ensures efficient and timely communication, verified, accurate and reliable information both within AST and with external interested parties.

AST management regularly informs employees regarding both long-term and short-term goals, work plans and current work tasks.

The main exchange of information and communication channels are the implemented and maintained information systems (document management system, resource management system, dispatching system, databases and special technological information

systems), e-mail and telephone communications, AST website and intranet (AST external website and internal website for employees), magazine "Energija un pasaule", forums and seminars for the employees.

In order to provide feedback, opinion polls, employee development discussions and competence assessments are conducted. Thematic forums "Energy Afternoon" are being set up, where representatives with different skills, abilities and competencies are delegated to ensure the expansion of general knowledge, exchange of views and experiences of the employees. In relation to the principles of leadership, motivation and involvement in decision-making of the employees is promoted.

SUPERVISION

AST management is responsible for the evaluation and improvement of the regular controls. In turn, the performance of management is supervised by the Supervisory Board (until the establishment of the Supervisory Board in October 2016, the supervising body was the Shareholders' Meeting) and Internal Audit (see the section Internal Audit). In some cases, additional external auditors are involved to obtain assurance, who in accordance with the management's task, perform audits in specific areas and provide opinions and/or recommendations. Pursuant to the Law on Annual Financial Statements and Consolidated Financial

Statements, the Company's financial statements are audited by an independent sworn auditor.

In addition to the abovementioned, the Company is supervised by PUC. Every year, the Company submits PUC documents certifying the compliance of AST with the certification requirements, the opinion of an independent auditor on the financial risk assessment of AST, the opinion of a certified auditor of information technology (systems) that the confidentiality of commercial information is ensured.

All these institutions are operationally independent.

RISK MANAGEMENT

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

Risk management of AS *Augstsprieguma tīkls* is regulated by the Guidelines for the Risk Management of AS *Augstsprieguma tīkls* (NOP-1-026) and General Risk Management Procedure of AS *Augstsprieguma tīkls* (K-5/1-126), as well as regulations for the management of certain risk areas. In total, nine (9) risk areas have been identified.

In 2019, risk management regulations in six (6) areas have been developed, reviewed and approved: Strategic Risk Management Regulations (NOP-1-33), Financial Risk Management Regulations (NOP-1-32), System Management Risk Management Regulations (NOP-1-031), Physical Safety Risk Management Regulations (NOP-1-34), Occupational Risk Assessment Methodology (ID-11-013) and IT Security Risk Management Procedures (K-84-121).

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 only observed in the field of strategic risks and in some cases in the field of physical safety risks.

Strategic risks: an initial risk assessment has been performed and risk mitigation measures have been 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. In 2020, after the merger of AS *Latvijas elektriskie tīkli*, a detailed review of financial risks is planned for AS *Augstsprieguma tīkls*.

Technical risks: the necessary risk monitoring measures have been taken; the necessary cases of technological disturbances have been investigated.

System management risks: initial assessment performed; risk review performed in December 2019. Appropriate risk monitoring is ensured. Together with the direction of operation, it is ensured that the average service availability index (ASAI > 99.5%) is: 99.94%, - CAIDI (Customer Average Interruption Duration Index ≤0.9 h): 0.47 h.

Environmental risks: all necessary monitoring measures have been taken, the overall level of environmental risks is low, but the level of risk management is high.

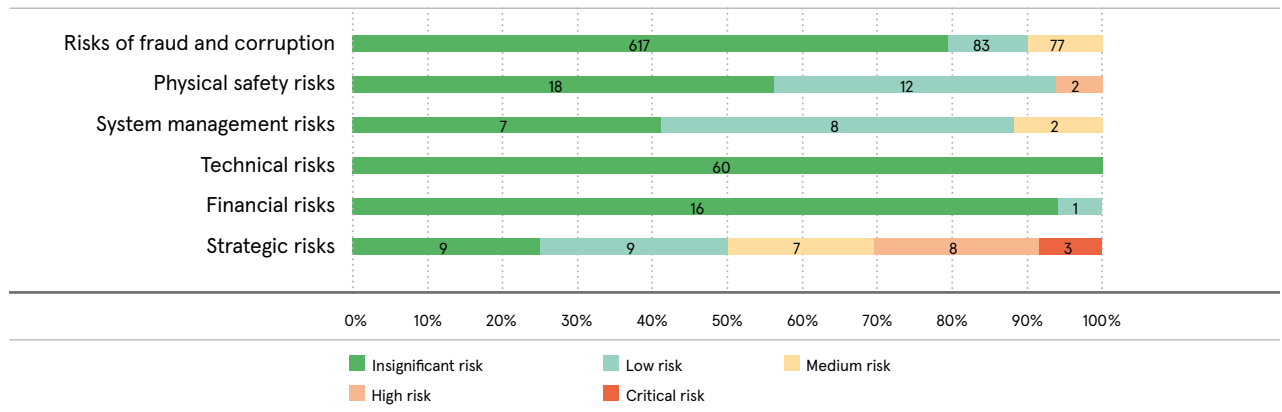
Occupational risks: risk assessment was performed in 44 structural units, the rest were reviewed for occupational risks without changes, no risk factors with a medium degree of risk or higher were identified.

IT risks: risk assessment was performed for six information systems; risk monitoring is provided in 24/7 mode.

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: an initial risk assessment has been performed, which has identified two high-potential risks. Management measures are in place for both risks.

RESIDUAL RISK VALUES IN 2019



AST RISK MANAGEMENT



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 order 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 the internal procedures and arrangements of AST, ensuring the transparency of procurement procedures and preventing the risk of corruption.

In 2019, amendments to the Law on International Sanctions and National Sanctions of the Republic of Latvia, including Section 11¹ thereof, were considered in the organisation of procurements. For the examination of the sanctions applied 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.

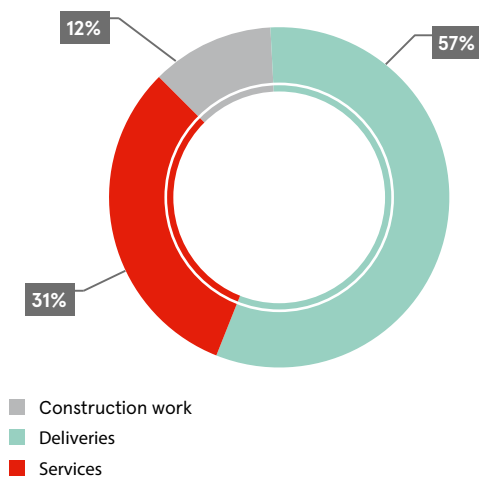
During the preparation stages of the Procurement Regulations, the requirements of the “Basic Regulations for the Procurement Procedures” and the requirements of the Law on Public Service Providers Procurement and European Union directives are observed.

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).

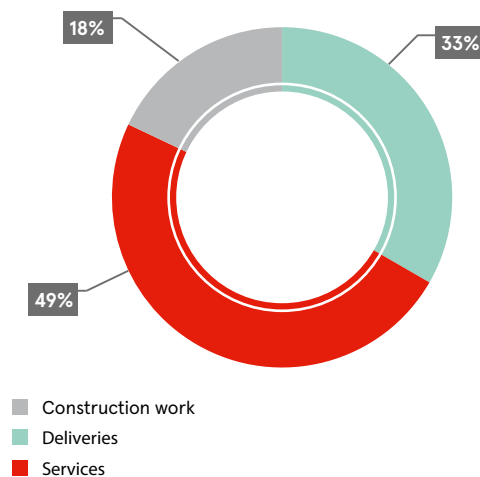
AST complies with the groups of goods and services listed in Annex 1 to the Cabinet Regulation of 20 June 2017 No. 353 “Requirements for Green Public Procurement and Procedures for its Application” to which green public procurement is mandatory.

The number of procurement contracts concluded in 2019 is 234, including 42 construction contracts, 114 service contracts and 78 supply contracts. Of these, six transformer contracts and two transport contracts are defined as green procurement because life-cycle costs are calculated for them.

PROCUREMENT CONTRACTS IN 2018



PROCUREMENT CONTRACTS IN 2019



Source: AST

COOPERATIVE SOCIAL LIABILITY

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 the 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 TAKEN INTO ACCOUNT, 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

In order 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

CSR DIRECTIONS

HONESTLY

WISELY

RESPONSIBLE

TOGETHER

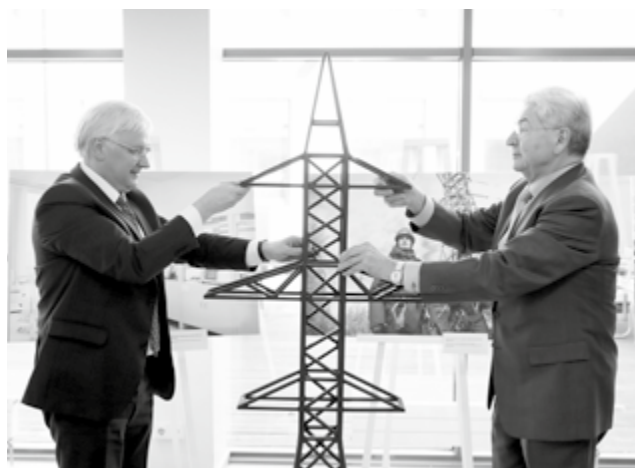


THE COMPANY

EDUCATION
SCIENCE

ENVIRONMENT
LABOUR
PROTECTION

EMPLOYEES



ACTIVITIES IMPLEMENTED

201-1



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>
- Specially illuminated substation "Šķirotava" during the month of Patriots
- Transfer of the gym for free use for children, youth, and sporting activities of the disabled persons
- In cooperation with *Ziedot.lv*, the campaign "Second Life of Goods" was implemented, when during the year, employees donate several cubic metres of clothes, shoes, toys, as well as children's, home and school items.
- 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 exact [sciences] direction

- A collaboration agreement has been signed with Riga Technical University, which implies scientific work in electrical engineering and transfer of knowledge and technology to working environments, promoting development and growth.
- Participation in the RTU Career Days
 - On Job-shadow Day, more than 24 children got acquainted with the company.
 - Open day





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*);
 - Colleague 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;
 - Sports games, Baltic billiards championship;
 - Spinning competitions, biathlon and cross-country skiing competitions, competitions in basketball and volleyball;
 - Tet Riga Marathon;
 - Latvian Cyclists Unity Ride;
 - 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
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	40003575567	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 Creative	40008202656	To the dance group <i>Daijrade</i> for the production of <i>Nīca</i> 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

- For the second time, *AS Augstsprieguma tīkls* received the highest award, the Platinum Award, of the Sustainability Index managed by the Corporate Sustainability and Responsibility Institute, demonstrating the compliance of its corporate responsibility level with the strictest of standards and showing that the company cares about the welfare of its employees and clients.
- In addition to the Sustainability Index award, AST got the title of a Family-Friendly Company from the Ministry of Welfare, which considered AST to be a company that cares for and maintains a positive attitude towards its clients, employees, and their families.
- This year, AST participated for the first time in the competition “Golden Helmet” organised by the State Labour Inspectorate. Every year a specific theme is chosen in the competition; the theme of this year - “Emergencies? Act responsibly!” In the competition, AST shared their experience of good practice in successful cooperation with the State Fire and Rescue Service. Acknowledgment for participation has been obtained.
- This year, for the first time, AST participated in the competition “Safest Company Car Fleet”, where our car fleet was awarded a bronze prize. The competition is organised in cooperation with the insurance joint stock company “Balta” and the Ministry of Transport and partners; the purpose of it was to initiate understanding of the state authorities and municipalities and the need for a safe car fleet of the company, as well as to promote good practice in their management.

- The State Revenue Service named AST as its Gold partner as part of their expanded cooperation programme.

The expanded cooperation programme is a way for the State Revenue Service to collaborate with taxpayers, in which the companies that match certain criteria are selected and assigned one of three levels: Bronze, Silver and Gold. Depending on the level, the State Revenue Service offers various benefits to the participants of the programme.



COOPERATION WITH INTERESTED PARTIES

In preparing the Sustainability Report for 2019 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 conducted through more than 25 interviews (9 clients and 16 partners).

Initially, suppliers, customers, and other partners with the greatest reciprocal influence with AST were identified. Both internal and external interested parties were defined as well. Based on this study, the most

important representatives of each impact party were identified, whose views have been identified in the process of preparing this Sustainability Report. To identify the key economic, social and environmental aspects of AST activities, AST conducted research and interviews with identified and selected impact parties.

THE MOST IMPORTANT REPRESENTATIVES OF EACH IMPACT PARTY WERE IDENTIFIED, WHOSE OPINIONS HAVE BEEN IDENTIFIED IN THE GRI REPORT PREPARATION PROCESS.

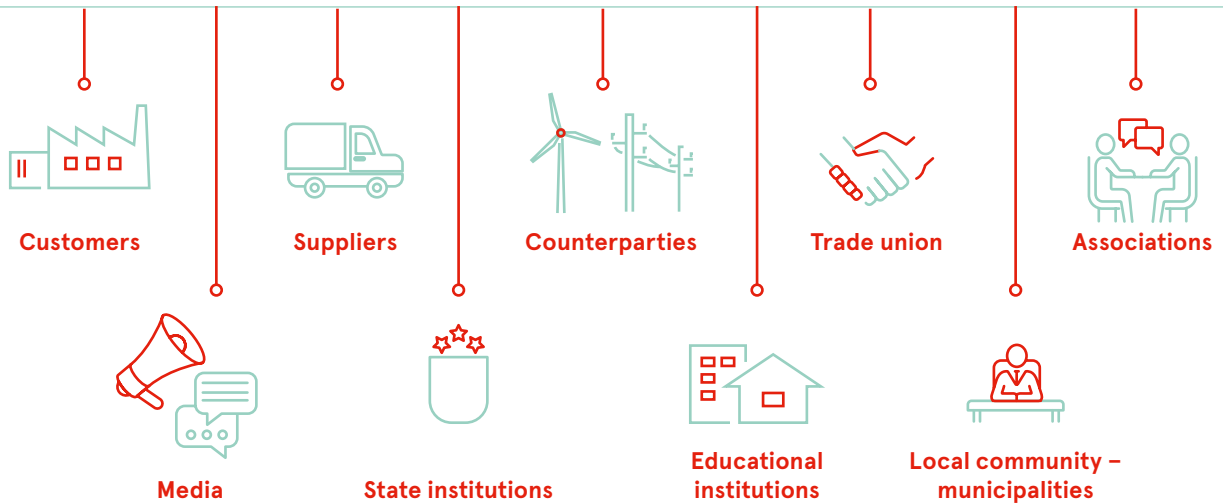
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102-42

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102-44

EXTERNAL INTERESTED PARTIES



External interested parties	Relevant topics/sustainability aspects
<p>Customers</p> <ul style="list-style-type: none"> ○ Transmission system users: AS Sadales tīkls SIA Cemex VAS Latvijas dzelzceļš SIA Vats ○ Electricity producers: AS Latvenego AS Rīgas Siltums ○ Electricity traders: SIA Enefit SIA Imlitex Latvija Inter RAO 	<ul style="list-style-type: none"> ● 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
<p>Suppliers</p> <ul style="list-style-type: none"> ○ Construction companies: AS Empower SIA Latvijas energoceltnieks SIA Ditra networks SIA Energoremonts Rīga 	<ul style="list-style-type: none"> ● Clear and open tenders ● Development of electricity interconnections
<p>Counterparties</p> <ul style="list-style-type: none"> ○ Owner of the transmission asset: LET ○ Transfer system operator: AS Elering 	<ul style="list-style-type: none"> ● Development of electricity interconnections ● Involvement in energy policymaking

External interested parties

Relevant topics/sustainability aspects

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

- Council of the Public Utilities Commission (PUC)
- Ministry of Economics of the Republic of Latvia

- 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 the public welfare and CSR activities
- Involvement in energy policymaking
- Transparent, fair, and ethical marketing and communication practices
- Availability of information

Local community – municipalities

- Salaspils

- CSR activities
- Environmental protection, plant modernisation and electricity network infrastructure projects
- Provision of services and problem solving

INTERNAL INTERESTED PARTIES



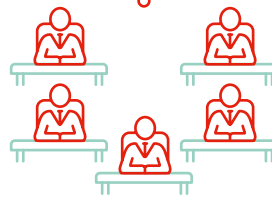
Shareholder and Supervisory Board



Ministry of Finance of the Republic of Latvia;



Members of the Supervisory Board



The Board



Employees

Internal interested parties

- Shareholder and Supervisory Board
- Ministry of Finance of the Republic of Latvia
- Members of the Supervisory Board

Relevant topics/sustainability aspects

- 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

102-13



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.

AST representatives regularly attend LEEA meetings to exchange views on the current energy issues, 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

In order 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.

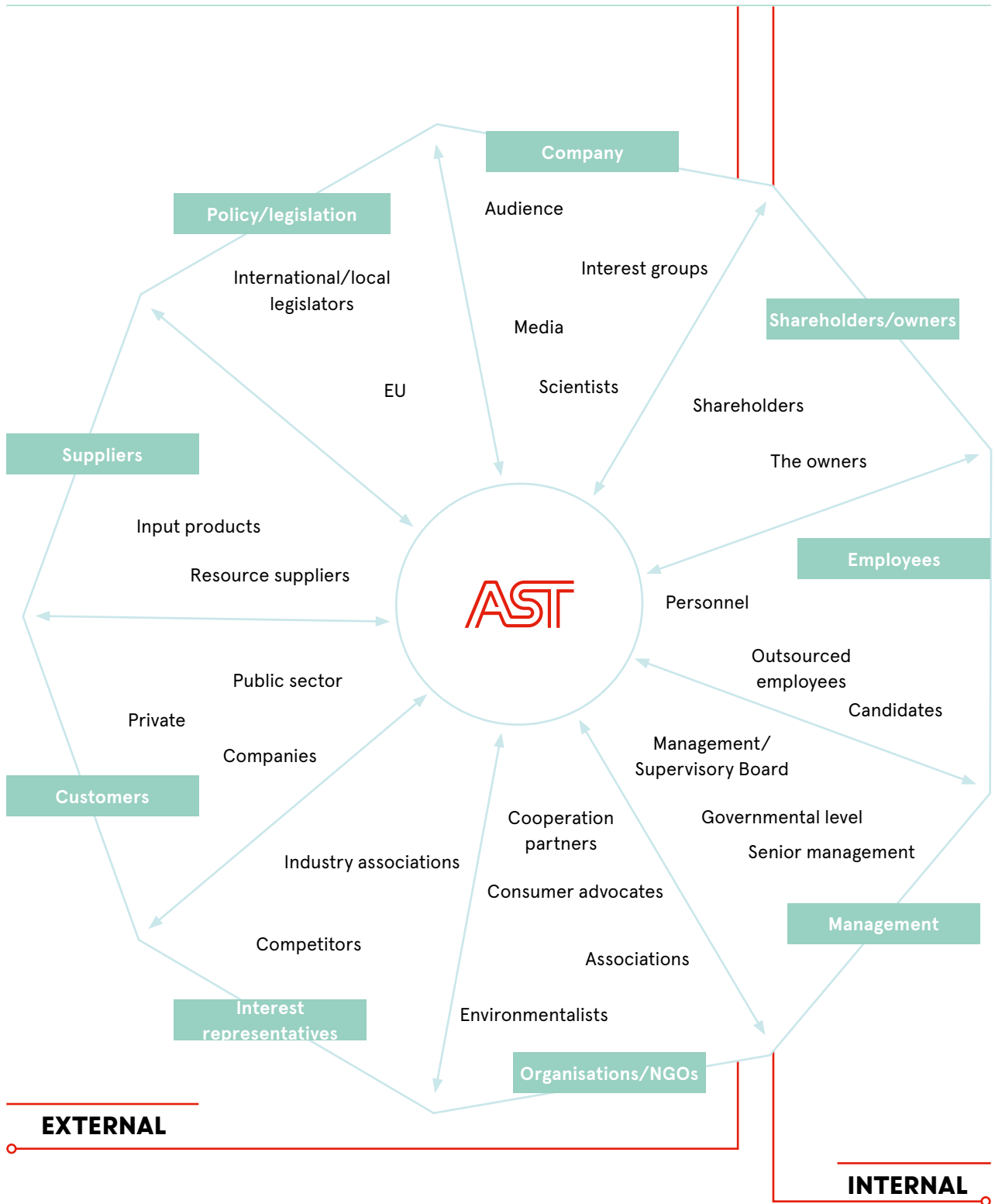


2010

Latvian Association for People Management

The Latvian Association for People Management (LPVA) was founded in order 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 August 2010.**

INTERESTED PARTIES' RADAR





OPERATING SEGMENTS

ELECTRICITY TRANSMISSION

EU4

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,

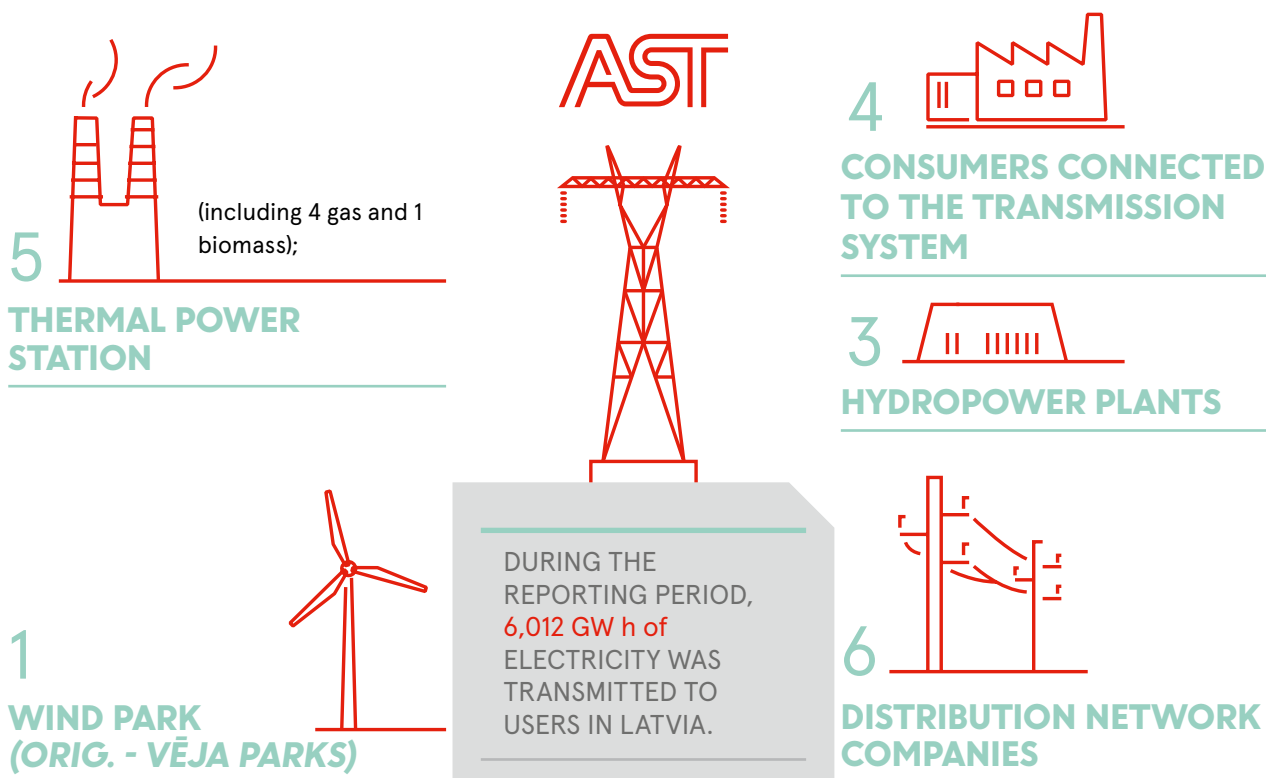
licensing public services, promotion of competition in regulated sectors, monitoring the transmission system operator's compliance with certification requirements and approval of the 10-year transmission system plan.

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	4,075.0	1,552.99
110 kV	123	248	5,263.7	3,870.91
Total	140	271	9,338.7	5,423.90

EU3

THE COMPANY PROVIDES ELECTRICITY TRANSMISSION SYSTEM SERVICES TO **19 CUSTOMERS** WHOSE **ELECTRICAL INSTALLATIONS ARE DIRECTLY CONNECTED TO THE ELECTRICITY TRANSMISSION NETWORK**, INCLUDING



MAINTENANCE AND DEVELOPMENT OF THE ELECTRICITY MARKET

The legal basis for the operation of the electricity market in Latvia is the Electricity Market Law, which stipulates that the transmission system operator, by performing its functions, shall facilitate the functioning of the internal electricity market and cross-border trade, including supporting the development of the electricity stock exchange.

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):

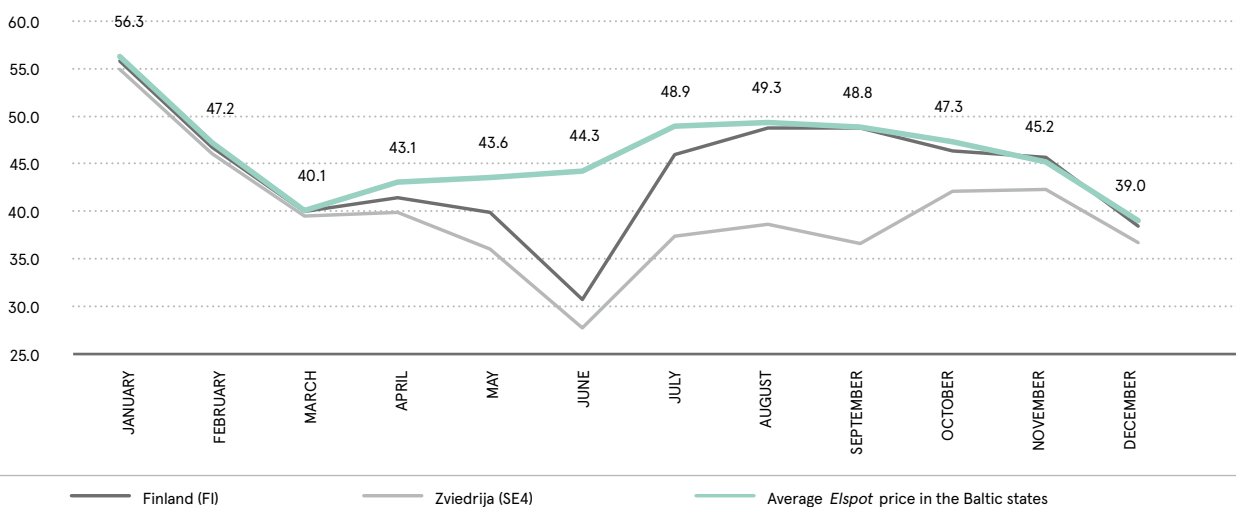
- NASDAQ energy products – hedging against price differences between trading areas (EPAD);
- Financial Transmission Rights (option) on the Estonian–Latvian border, provided by AST in cooperation with *AS Elering*, see more in the section PTR-Limited auctions.

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.

2019 THE AVERAGE “NORD POOL” POWER EXCHANGE PRICE IN THE TRADING AREA OF LATVIA WAS EUR 46.28 PER MEGAWATT HOUR (EUR/MWH); IN COMPARISON TO 2018, THE PRICE DECREASED BY 7%.

2018 – 49.90 EUR/MWh
2017 – 34.68 EUR/MWh

AVERAGE ELECTRICITY PRICES IN THE BALTIC STATES AND THE NORDIC ELSPOT TRADE AREAS IN 2019, EUR/MWh



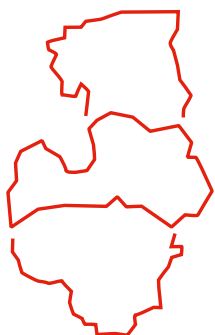
Source: AST

2019 84.7% OF LATVIA'S TOTAL ELECTRICITY CONSUMPTION WAS COVERED BY DOMESTIC ELECTRICITY SOURCES, WHICH IS A DECREASE BY 3.06 PERCENTAGE POINTS COMPARED TO 2018.

PROVISION OF NATIONAL CONSUMPTION WITH LOCAL GENERATION IN 2019, %



Source: AST



INTERCONNECTIONS WITH NEIGHBOURING STATES

Comparing the monthly electricity hour price between Latvia and Estonia, it can be concluded that the prices were equal to 94% of the annual number of hours, while in 2018 the prices were equal to 74% of all the hours of the year.

Comparing the monthly electricity hour price between Latvia and Lithuania, it can be concluded that in 2019 the prices were equal to 97% (98% in 2018) of all the hours of the year.

Taking into account the fact that 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.

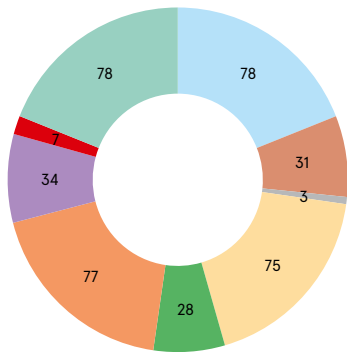
Not only does the integration into the single European electricity market provide access to cheaper Nordic electricity, it also contributes to higher price volatility caused by weather conditions in other European countries.

DEVELOPMENT OF THE ELECTRICITY TRANSMISSION SYSTEM

With decision of the PUC Council No. 149 of 19 September 2019, "On Electricity transmission system development plan", the Company's electricity transmission system development plan for the period from 2020 to 2029 (hereinafter – Development plan) was approved.

THE DEVELOPMENT PLAN DETERMINES THE DEVELOPMENT OF THE TRANSMISSION SYSTEM AND THE NECESSARY FINANCIAL INVESTMENTS IN THE TRANSMISSION INFRASTRUCTURE FOR THE NEXT TEN YEARS, DEFINING THE INVESTMENT OF EUR 413 MILLION FOR THE DEVELOPMENT OF THE ELECTRICITY TRANSMISSION SYSTEM.

INVESTMENTS ENVISAGED IN THE DEVELOPMENT PLAN, MILLION EUR



- Substations
- Replacements of auto-transformers and transformers
- Cable lines
- Overhead lines
- Other measures
- Phase 1 of synchronisation
- 3. EE-LV
- RCHP - RHES
- Phase 2 of synchronisation

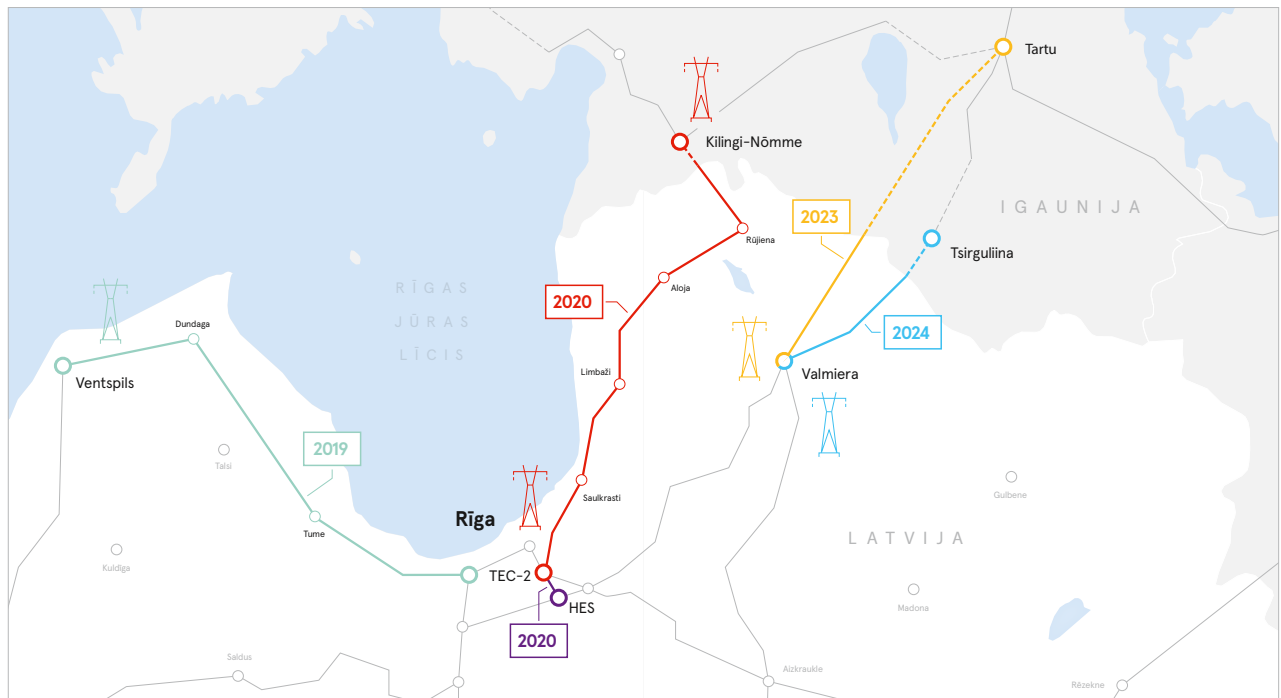
Source: AST



PROGRESS IN 2019 AND KEY DEVELOPMENT EVENTS IN THE NEXT TEN YEARS TO COME:

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 which are of strategic importance, not only nationally but also in the Baltic Sea region as a whole.



○ 330 kV PTL connection “Kurzeme Ring” Step 3: 330 kV overhead line “Ventspils – Tume – Imanta”

Within the framework of the project, it is planned to reconstruct the existing 110 kV overhead power transmission lines to 330 kV lines from Ventspils to Imanta (in Riga), as well as to expand the existing 330 kV substation “Imanta” and to construct a new 330 kV distribution plant at “Tume” substation. The reconstruction of 110 kV distribution plants at the substations “Dundaga”, “Talsi”, “Valdemārpils”, “Kandava”, “Priedaine” is also planned.

IN 2019, ALL WORKS RELATED TO THE IMPLEMENTATION OF THIS CAPITAL INVESTMENT PROJECT HAVE BEEN COMPLETED AND ALL OBJECTS HAVE BEEN ACCEPTED INTO SERVICE.

○ Third Estonia – Latvia interconnection

The project includes the construction of a new 330 kV line of 180 km that will connect the “CHP-2” substation in Latvia and the “Kilingi – Nomme” substation in Estonia, as well as the expansion of the CHP-2 substation by installing shunt reactor systems for reactive power compensation.

In 2019, active construction of the new line took place in practically all sections from the Latvian-Estonian border to the substation “CHP-2”; by the end of the year, 60% of the support foundations envisaged in the project were built, 30% of the supports were assembled and raised, and 20% of the new line wires were assembled. The expansion of the “CHP-2” substation has also been commenced, including the supply of a 120 MVA shunt reactor. **In 2020**, it is planned to continue active construction of the line; it should be completed and commissioned in the middle of 2021.

Construction of a new power transmission line "Riga CHP-2 – Riga HPP"

The project envisages the construction of a new 330 kV overhead/cable line (indicative line length – 15 km), the extension of the 330 kV switchgear of the "Riga CHP-2" substation, as well as the reconstruction of the substation "Riga HPP", using the existing equipment and solutions.

In 2019, the construction of the line "Riga CHP-2 – Riga HPP", as well as the reconstruction of 330 kV switchgear of substation "Riga HPP" and the extension of 330 kV switchgear of substation "Riga CHP-2", were commenced. All the construction works of the project **are planned to be completed** by the end of 2020.

- Increasing the capacity of the 330 kV electric power transmission line "Tartu (EE) – Valmiera (LV)" and the 330 kV power transmission line "Tsirgulina (EE) – Valmiera (LV)" between Latvia and Estonia within the framework of Phase 1 of the synchronisation project of the Baltic states with continental Europe.

The project envisages the complete replacement of both existing 330 kV lines with new high throughput lines. The total length of both lines in the territory of Latvia is 100 km.

In 2019, preparations for the start of construction procurement have been made regarding both 330 kV line reconstruction projects. In 2020, it is planned to carry out the research required by the technical terms of the Valmiera Regional Environmental Board of the State Environmental Service, to hold public discussions of the project in municipalities where the project is going to be implemented, as well as to prepare and announce the procurement for the construction design and construction of the reconstruction of the line.

The implementation of the project is planned immediately after the implementation of the project "Third Estonia – Latvia interconnection".

- Purchase and installation of system synchronisation and power system inertial equipment within the framework of Phase 1 of the synchronisation project of the Baltic states with continental Europe.

The project envisages the installation of one 200 MVA synchronous compensator for the Latvian energy system to ensure its inertia after the synchronisation of the Baltic states' system with continental Europe's. In 2019, the procurement procedure for the receipt of consulting services was announced, for which a corresponding contract was concluded in 2020. In 2020, it is planned to prepare the necessary documentation for the selection of the supplier of the synchronous compensator, as well as the contractor for the construction and assembly work.

ALL THE ABOVE PROJECTS ARE INCLUDED ON THE LIST OF EUROPEAN PROJECTS OF COMMON INTEREST (PCI) AND HAVE BEEN GRANTED CO-FINANCING FROM THE EUROPEAN UNION – EUROPEAN CO-FINANCING FOR INCREASING THE TRANSMISSION CAPACITY OF THE 330 KV POWER TRANSMISSION LINES "TARTU (EE) – VALMIERA (LV)" AND "TSIRGULINA (EE) – VALMIERA (LV)"; CO-FINANCING FOR THE PURCHASING AND INSTALLATION OF SYSTEM SYNCHRONISATION AND POWER SYSTEM INERTIAL EQUIPMENT WAS ALSO GRANTED IN 2019, AND FOR THE CONSTRUCTION OF THE POWER TRANSMISSION LINE "RIGA CHP-2 – RIGA HPP" IN 2017, WHEREAS FOR THE PROJECTS "CONSTRUCTION OF THE THIRD PHASE OF KURZEMES LOKS" AND "CONSTRUCTION OF LATVIA-ESTONIA THIRD INTERCONNECTION", EUROPEAN CO-FINANCING FROM THE CONNECTING EUROPE FACILITY WAS GRANTED IN NOVEMBER 2014.

Also, in 2019, the preparation of the necessary documentation for receiving the European Union's co-financing from Connecting Europe Facility for the implementation of Stage 2 projects for the synchronisation of the Baltic states with continental Europe was commenced. A decision on co-financing is expected at the end of 2020.

- Electricity transmission system sustainability projects

The prepared electricity transmission system development plan of Latvia for the next ten years envisages a number of measures to improve the transmission infrastructure – reconstruction of existing 330 kV and 110 kV substations, improvement of power transmission lines, replacement of transformers, etc.

- Access of third parties to the electricity transmission network

Taking the principles of operation of the electricity market of Latvia into account, AS Augstsprieguma tīkls will continue to provide non-discriminatory access to the transmission system for both electricity producers and transmission system users in accordance with the principles of fairness, transparency and equality, both by constructing new and renovating existing connections.

SYSTEM MANAGEMENT AND ELECTRICITY MARKET DEVELOPMENT

203-1

203-2

Carrying out the policy of the European Union regarding the single electricity market, AS Augstsprieguma tīkls continues to actively participate in the activities of integration of the internal electricity market of the European Union, both within the European Union and in the Baltic region.

OVER THE COMING YEARS, IT IS PLANNED TO CONTINUE WORKING ON THE DEVELOPMENT AND IMPROVEMENT OF THE SINGLE EUROPEAN DAY-AHEAD AND INTRADAY MARKET. IT WILL INCLUDE NEW OPPORTUNITIES FOR THE PARTICIPANTS OF THE EU INTERNAL MARKET FOR ELECTRICITY, INCLUDING THE PARTICIPANTS OF THE LATVIAN AND BALTIC MARKETS.

Currently, several projects are being launched; 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, similar to 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, a number of 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.

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 road map with the recommended further steps for synchronisation with continental

Europe and de-synchronisation with the unified power system of Russia.

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

On 23 January 2019, the CEF Steering Committee approved Phase 1 of the Baltic synchronisation application and decided to grant co-financing of 75% to the projects included in the application.

ON 22 MAY 2019, AS AUGSTSPRIEGUMA TĪKLS SIGNED AN AGREEMENT ON THE CONDITIONS OF THE FUTURE INTERCONNECTION OF POWER SYSTEM OF THE 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.

TRANSMISSION AND STORAGE OF NATURAL GAS

102-10

*Following the decisions of the Cabinet of Ministers of 5 December and 19 December 2017, in 2017, the Company acquired 34.36% shares of the Latvian natural gas transmission and storage system operator *AS Conexus Baltic Grid*.

The investment of the Company is managed in accordance with the Corporate Governance Guidelines.

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

According to the *AS Conexus Baltic Grid* annual report of 2019, the profit of *AS Conexus Baltic Grid* for 2019 is EUR 17,945 thousand. On 30 April 2020, the shareholders' meeting of *AS Conexus Baltic Grid* decided to pay out a dividend of EUR 0.41 per share for the year 2019. Considering the number of shares of *AS Conexus Baltic Grid* owned by the Company, the Company will receive EUR 5 605 thousand in dividends.







PERFORMANCE INDICATORS

IDENTIFICATION OF THE KEY SUSTAINABILITY ASPECTS

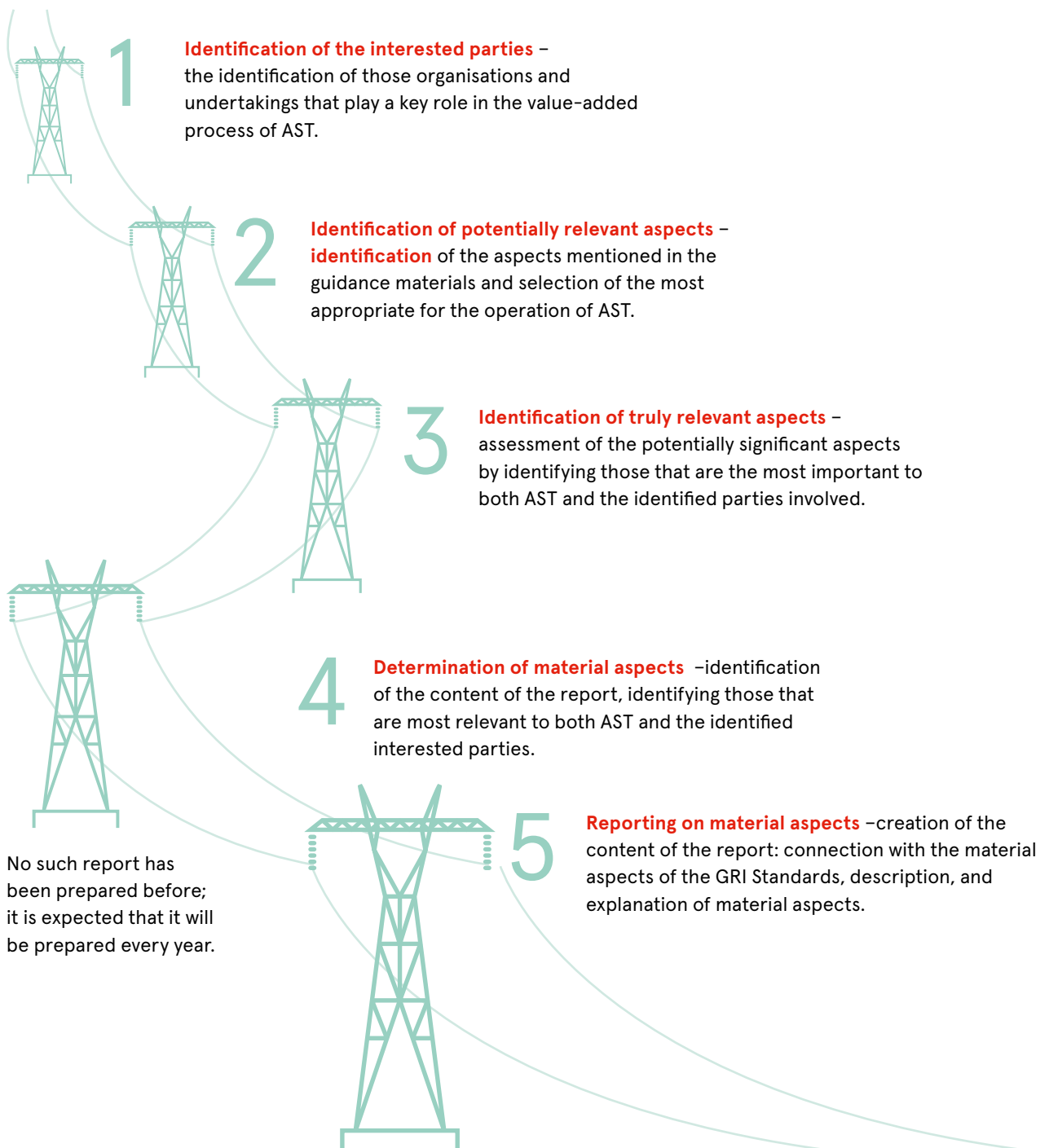
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102-47

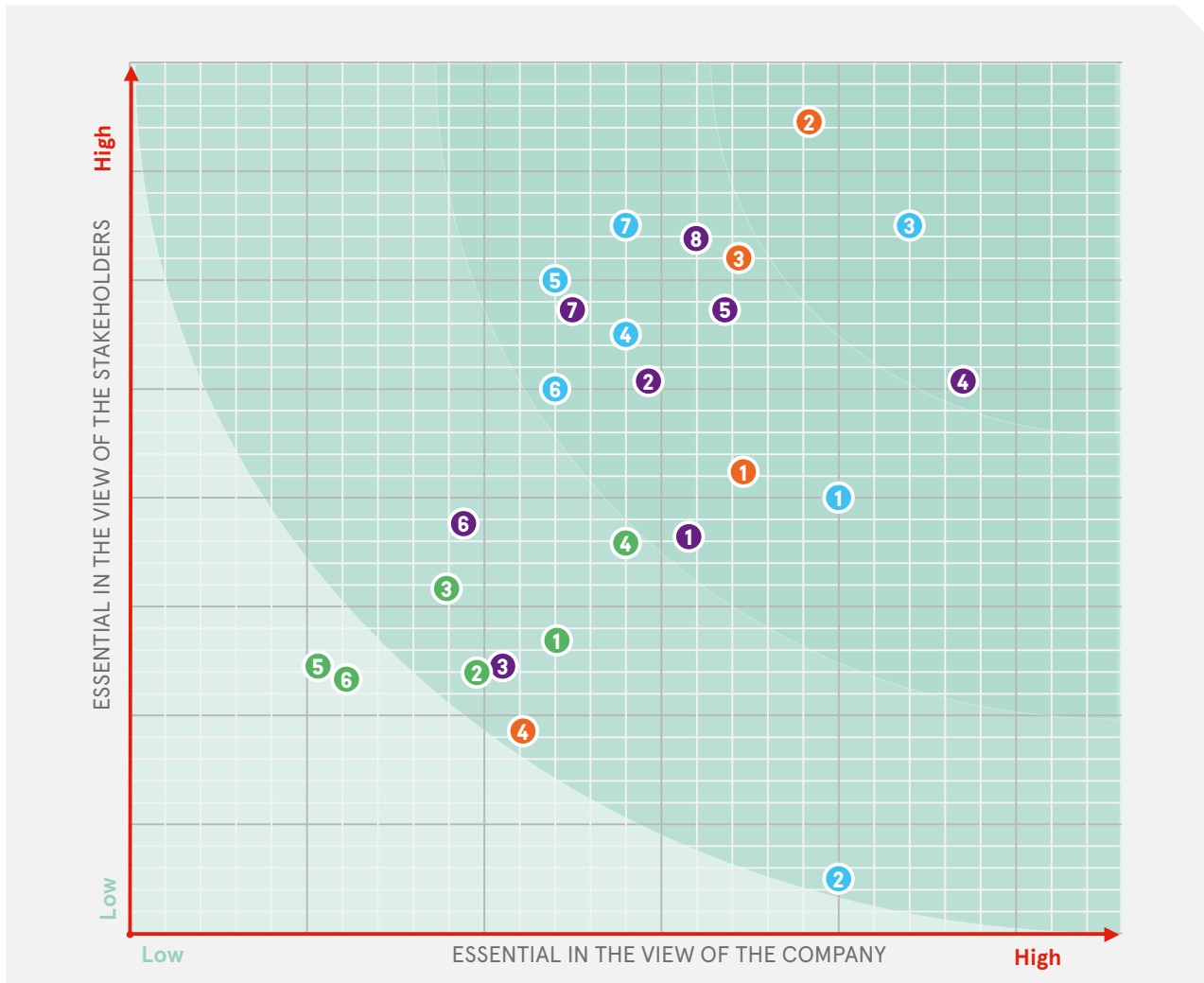
The content of the AST Sustainability Report is based on the economic, environmental, and social aspects relevant to the company and its interested parties. The essential aspects are determined in accordance with the GRI guidelines. The identification of key aspects and indicators to be identified can be divided into four stages. The evaluation of AST performance identified

the key aspects of economic performance, the environmental, employment and working environment in the dimension of social and product responsibility 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:



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 a whole, 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 CONCERN

- 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 WORK ENVIRONMENT

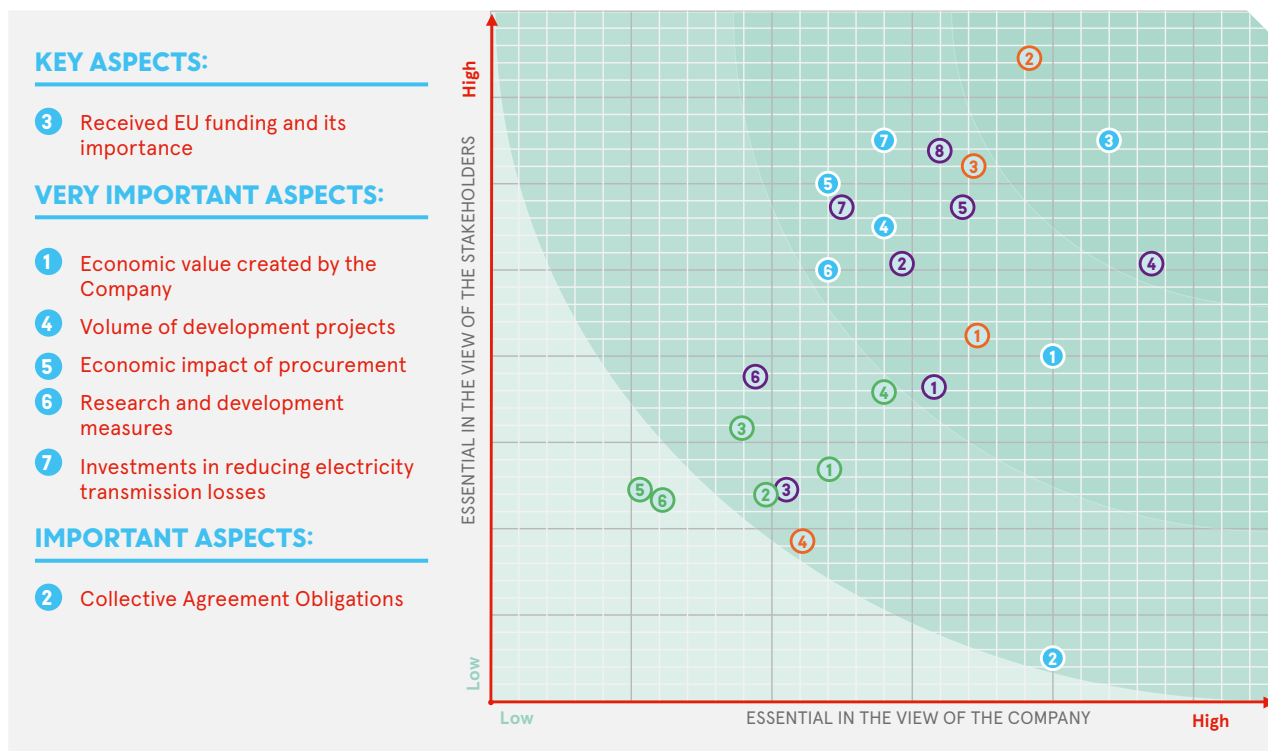
- 1 Work practices and decent work
- 2 Occupational safety of employees
- 3 Investments in employee succession
- 4 Employee diversification and non-discrimination

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



MANAGEMENT APPROACH AND CONTRIBUTION TO THE NATIONAL ECONOMY

103

201-1

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.

According to data published by *Lursoft*, in 2018, AST was the 29th largest company in Latvia in terms of net turnover.

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. In order 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.

In order to improve the efficiency of the Company's operations, an evaluation of the efficiency of operations and the possibilities of the Company's improvement was performed in 2017, as a result of which a plan of measures to be implemented was approved in 2018. Continuing the work started, in 2019, with the involvement of the international audit firm Ernst & Young Baltic, an assessment of cost optimisation opportunities was performed, and a plan of measures was approved.

The Company is one of the largest employers in the country; as of 31 December 2019, the company has 551 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 very important area of influence by all the representatives of the impact parties interviewed by the Company as well.

In order to promote both its own and the industry's development, to take care of the interests of the employees, in 2019, 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 Latvian Association for People Management.

FINANCIAL RESULTS OF AST INDICATE A **SOUND FINANCIAL POSITION AND DEVELOPMENT**. DETAILED INFORMATION ON AST PERFORMANCE IS AVAILABLE IN THE 2019 REPORT.

ECONOMIC VALUE OF THE COMPANY AND PERFORMANCE IN THE NATIONAL ECONOMY

AST is one of the largest state-owned companies, its balance sheet value as of 31 December 2019 is EUR 222 million, and jobs are provided to more than 550 residents of Latvia (as on 31 December 2019, AST has 551 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. Although in 2019, net turnover has slightly decreased if compared to the previous period (-5%), due to the implemented modernisation and development of the transmission system, it has increased by 48% in the last 5 years. Also, by promoting employee motivation and loyalty to the Company, in 2019, the average salary of employees was increased in accordance with inflation in the country.

In 2019, the economic value generated by AST is EUR 189.2 million and the distributed economic value is EUR 182.3 million (see table).

In 2019, both the created and distributed economic value were positively affected by the realised modernisation and development works of the transmission system in the amount of EUR 85.7 million.

In 2019, taxes of EUR 2 million were paid into the State Budget.

The increase in profit as well as in the number of dividends was significantly affected by the dividends received in 2019 from *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 3.7% of the value created by AST and is used to invest in the AST assets.

201-1

ECONOMIC VALUE GENERATED AND DISTRIBUTED BY AST

	2019 thousand EUR	2018 thousand EUR	2017 thousand EUR
Economic value created	189,232	198,859	159,237
Revenue and other proceedings	184,993	193,986	159,200
Revenue from financial operations	44	20	38
Income from participation	4,194	4,853	0
Economic value allocated	182,270	196,363	157,727
Raw materials, materials, and other operating costs	164,158	176,527	143,444
Employee reimbursement	16,230	15,667	13,764
Payment for the use of state capital risk	1,736	3,598	247
Costs for financing activities	1	421	24
State-imposed payments, including:	145	148	247
<i>Corporate income tax</i>		0	99
<i>PUC fee</i>	145	148	148
Donations	0	3	1
Economic value unallocated	6,961	2,495	1,510
Depreciation and amortisation	1,630	1,417	1,295
Savings and reserves	5,331	1,079	215

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.

COLLECTIVE AGREEMENT OBLIGATIONS

201-3

102-41

Contributing to employees by building a united, strong, and professional team is essential for caring for sustainable development. As a result of mutual cooperation, a Collective Agreement has been concluded between the company and *LAB Energija*. 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 the 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 promoting not only 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 employees of the Company.

In 2019, AST made contributions to the Pension Fund for the benefit of its employees in the amount of EUR 606 thousand.

In 2019, in accordance with the collective agreement, in addition to contributions to the Pension Fund, benefits were paid to employees in the amount of EUR 542 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 2019, benefits were paid in the amount of EUR 136 thousand.

RECEIVED EU FUNDING AND ITS IMPORTANCE

201-4

In order 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 2.8, 19 and 20 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 2019, 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, 1st phase for the synchronisation of the Baltic states with continental Europe, envisaging total EU co-financing up to EUR 186.39 million (see Table).

In addition, in accordance with the Development Plan of the Electricity Transmission System approved by the PUC Council on 19 September 2019, it is planned to direct the income from congestion charges in the amount of EUR 67.8 million to finance the above mentioned projects.

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.

Also, in 2019, the preparation of the necessary documentation for receiving the European Union’s co-financing from the Connecting Europe Facility for the implementation of Stage 2 projects of the synchronisation of the Baltic states with continental Europe was started. A decision on co-financing is expected at the end of 2020.

	“Kurzeme Ring”	Estonia – Latvia interconnection	Riga CHP-2 – Riga HPP	Valmiera (LV) – Tartu (EE)	Valmiera (LV) – Tsirgulina (EE)	phase 1 of synchronisation (including Valmiera lines and equipment)
Planned year of implementation	2019	2020	2020	2023	2024	2025
Approved total costs, including:	127.7 MEUR	102.4 MEUR	19.98 MEUR	23 MEUR	22 MEUR	77 MEUR
EU co-financing	55.1 MEUR	63.4 MEUR	9.99 MEUR	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	30.6 MEUR	7.2 MEUR	up to 49% of the part financed by Latvia is planned	up to 49% of the part financed by Latvia is planned	18.5 MEUR
Total length	214.3 km	180 km	13 km	49 km	49 km	

INDIRECT ECONOMIC IMPACT OF THE INFRASTRUCTURE DEVELOPMENT PROJECTS

203-1

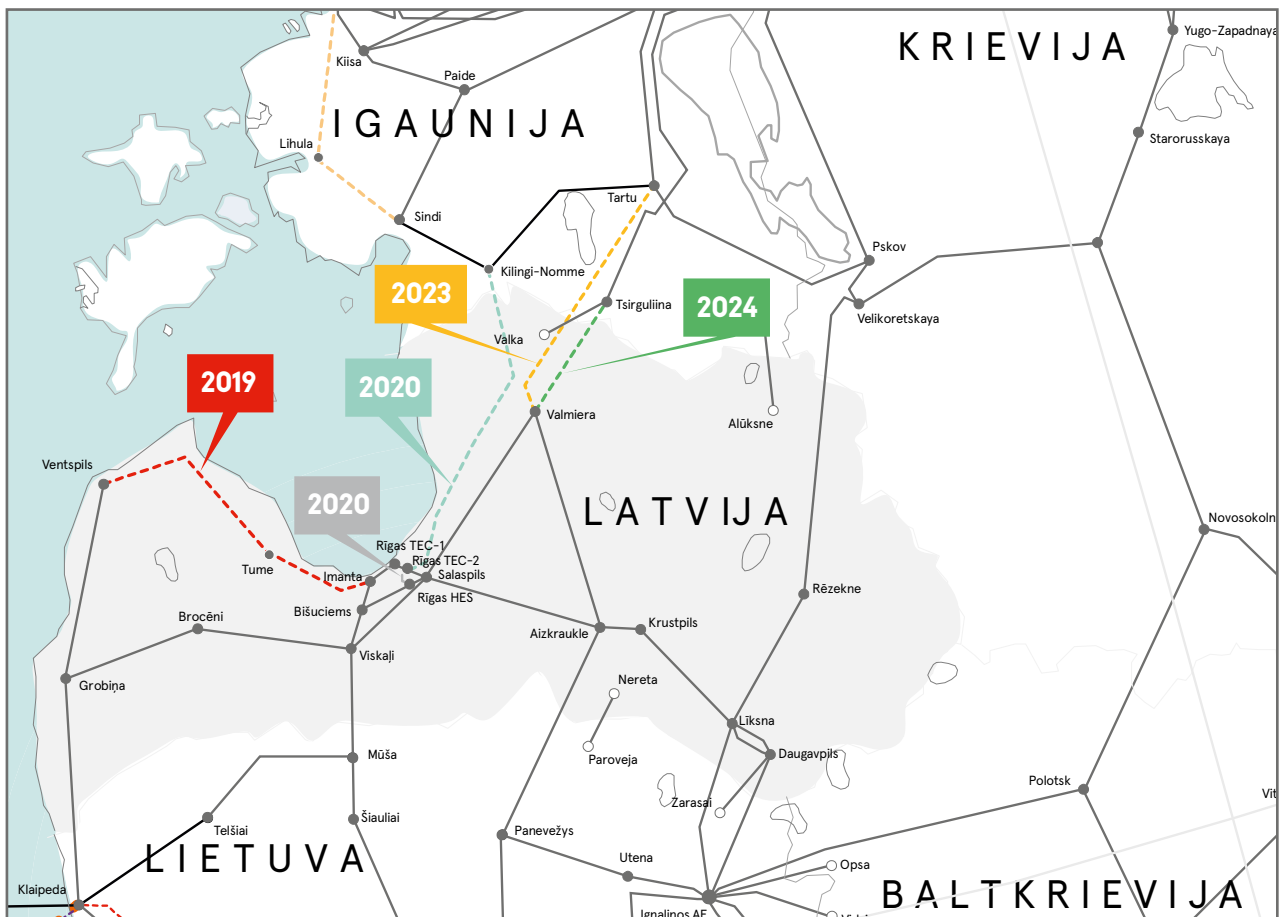
203-2

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 105 No. "Rules on the contract price limits for public procurement", the AST internal rules "Basic rules for procurement procedures" shall be applied.

In 2019, amendments to the Law on International Sanctions and National Sanctions of the Republic of Latvia, including Section 11' thereof, were taken into account in the procurement sector. For the examination of the sanctions applied 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.

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 the 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.

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 2019, 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.

CONFIRMED CASES OF CORRUPTION AND MEASURES TAKEN

205-3

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.

CORRUPTION RISK MANAGEMENT

205-1

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".

205-3

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 2019

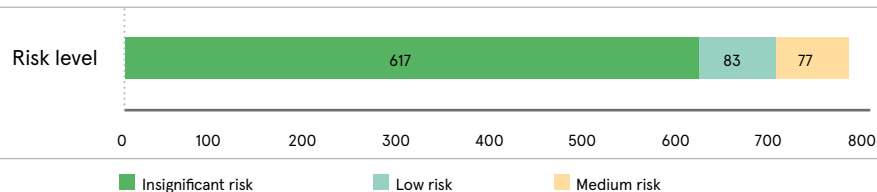
Risks of fraud, corruption and conflicts of interest are assessed for all structural units of the Company, as well as for all positions. Risks are also grouped by function groups if the potential risks are commensurate. In 2019, A total of 40 structural units, 162 function groups, 777 risk expressions 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 2019, 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 2019, training on fraud, corruption and conflict of interest issues was implemented, including employees for whom risk assessments have identified risks with an average residual risk value, by attracting a competent specialist from the Corruption Prevention and Combatting Bureau.

DEGREES OF THE RISKS OF FRAUD, CORRUPTION, AND CONFLICTS OF INTEREST IN 2019



RESEARCH AND DEVELOPMENT MEASURES AND EXPENDITURE TO ENSURE THE RELIABLE AVAILABILITY OF ELECTRICITY AND PROMOTE SUSTAINABLE DEVELOPMENT

In addition to the capital investment projects, AST carries out several research and development activities to ensure the development of the Company, recognising the essential role of innovation for its success.

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 the CEF structural funds; the remaining 50% will be covered by the transmission system operators of the Baltic states and Poland, dividing the costs into 4 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.

103-2



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 the 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 the 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 to avoid a situation of a conflict of interest. The research is mainly related to the development of the electricity system and electricity transmission network, issues of increasing safety and stability, as well as the calculation of technical and economic benefits for the electricity transmission network projects.

AST also cooperates with the research institutions in Latvia, mainly Riga Technical University (RTU) and the Institute of Physical Energy (PEI). Every year, AST participates in RTU Career Days, as well as organises Open Days to attract potential employees for further work at AST.

In respect of research collaboration, AST attracts RTU and PEI experts for the commencement of the studies on a competitive basis; in 2019, AST did not use the research services of the aforementioned institutions, but AST experts took part in some of the RTU projects as experts in the energy sector. In addition, in 2019, 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.



TRANSMISSION LOSSES AND RELIABILITY OF ELECTRICITY

INVESTMENTS IN REDUCING ELECTRICITY TRANSMISSION LOSSES

EU12

In 2016, in order 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 in order 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 in order 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, as a result of which the obtained products and/or services are energy efficient and improve the Company's energy performance.

IT SHOULD BE NOTED THAT 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 2019, this indicator is 2% (see table).



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

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

Activities performed in 2019 within the framework of the Energy Management Programme:

- Fifteen power transformers have been replaced (including KPs, whose replacement was started in 2018) in accordance with the 10-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 2019 over the life cycle is 122,636 MWh.

Technological captive consumption (excluding consumption in shunt reactors and condensers): In 2019, the total listed technological captive consumption in substations is 8,039,050 kWh, which is 7% less than the technological captive consumption in 2018, i.e., 8,658,259 kWh, and in 2017, 7% less, i.e., 8 602 732 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.

Economic consumption: The total listed economic captive consumption at AST facilities (excluding the electricity consumption of the administrative and technical base "Jānciems" of AST) in 2019 is 1 459 974 kWh, which in comparison to 2018, is 15% less, i.e., 1,717,845 kWh, and in comparison to 2017, 22% less, i.e., 1,873,337 kWh.

The economic electricity consumption in 2019 listed in the administrative and technical base of AS *Augstsprieguma tīkls* "Jānciems", 86 *Dāzciema* Street, Riga is 1,023,093 kWh, which in comparison to the electricity consumption of 2018, is 1% less, i.e., 1,092,707 kWh in 2018, and in comparison to 2017, 8% less, i.e., 1,108,788 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".

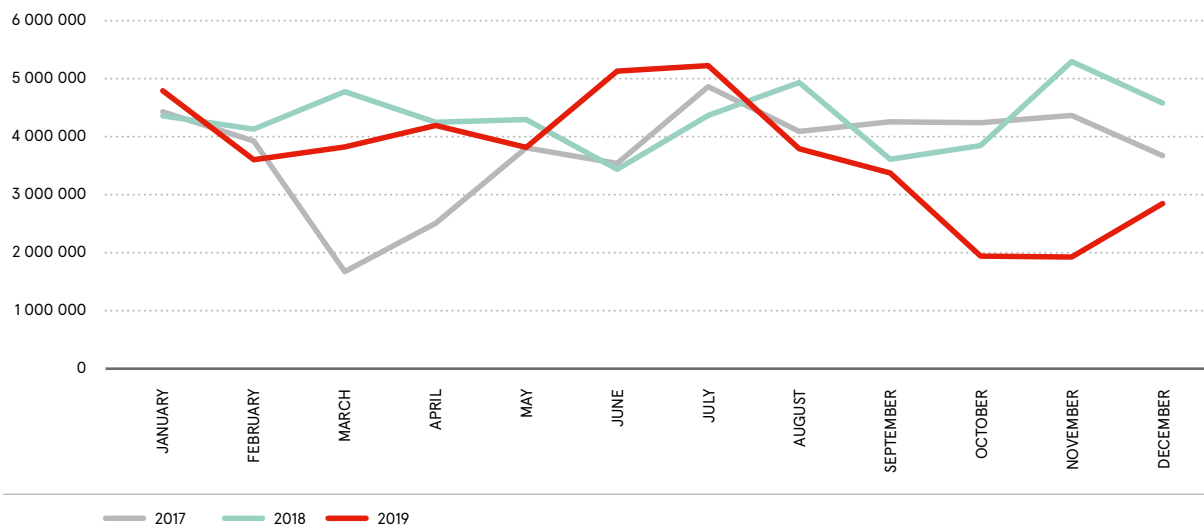
In 2019, 59 substations were assessed in accordance with the energy monitoring procedures and technological and economic facilities energy efficiency assessment procedures of AS *Augstsprieguma tīkls*.

In general, the assessment of buildings and objects was completed in 2018, assessing all technological buildings and objects; currently, when assessing all technological buildings and objects, this assessment is specified. 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 2019 are 44,425,582 kWh, which is 14.30% less than the transit losses of 51,837,267 kWh in 2018.

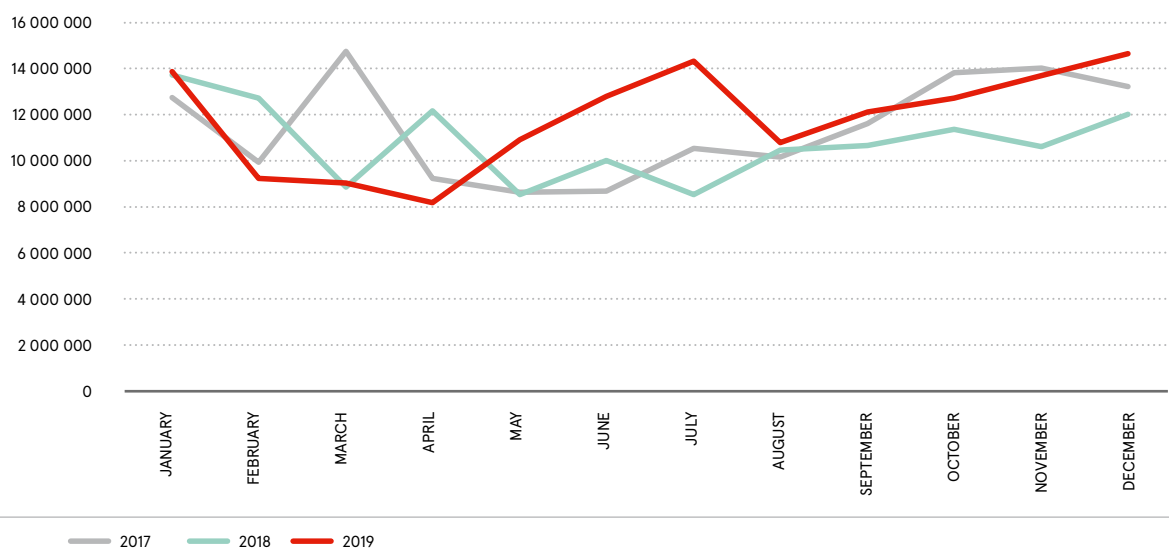
The transmission losses attributed to Latvia and listed together (losses in the 110/330 kV network) in 2019 are 142,294,717 kWh, which in relation to the losses of 2018 (129,605,471 kWh) are 9.79% higher for the listed transmission losses.

TRANSIT LOSSES, kWh



Source: AST

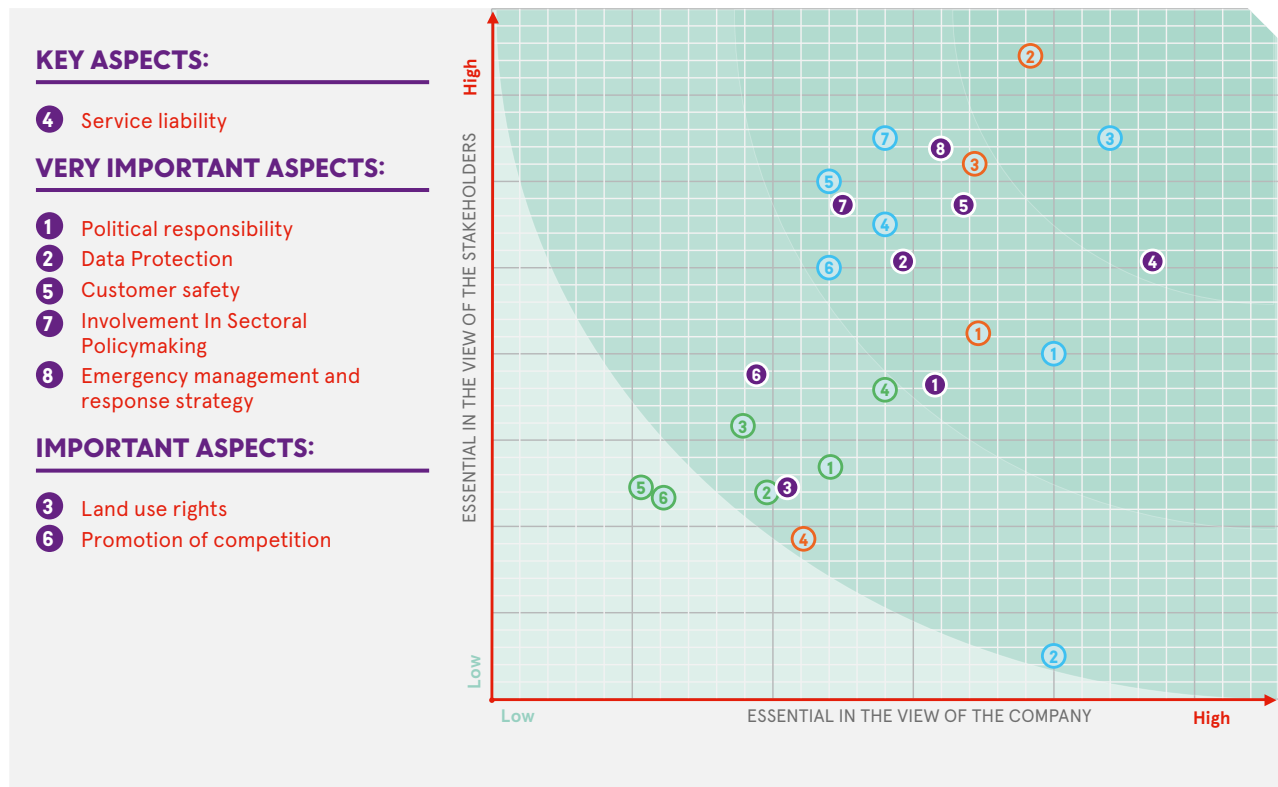
SHARE OF TRANSMISSION LOSSES (LOSSES IN 110/330 KV NETWORK), kWh



Source: AST

THE COMPANY

MATERIALITY MATRIX. DIMENSION OF THE COMPANY



MANAGEMENT APPROACH

103

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.

RESTRICTION OF COMPETITION

206-1

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 risk 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

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.

the electrical installations of complex and large power plants by persons who are not properly trained and qualified.

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, in particular, 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.) as well;
- 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, is able to engage in the performance of construction works of electrical installations in a high-quality and professional manner.

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 crew members.

The number of procurement contracts concluded in 2019 is 234, including 42 construction contracts, 114 service contracts and 78 supply contracts. Of these, six transformer contracts and two transport contracts are defined as green procurement because life-cycle costs are calculated for them.

EMERGENCY MANAGEMENT PLANS

103-2

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, as well as 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 in order to improve the efficiency of the elimination of consequences and to reduce the material losses.

INVOLVEMENT IN SECTORAL POLICY-MAKING

103-2

AST is involved in the policymaking of the energy sector in order 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. In 2019, the most important energy forum is the conference 'Energy 2019' organised by the newspaper *Dienas Bizness*.

Also, the Traders' Breakfast is organised twice a year, during which the current events in the electricity sector in Latvia and the single European electricity market are presented to the participants of the electricity market and balancing service providers.

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.

PERFORMANCE INDICATORS

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

205-2

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

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

415-1

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.

NON-COMPLIANCE WITH SOCIAL AND ECONOMIC REGULATORY ENACTMENTS

419-1

In 2019, no penalties or non-financial sanctions were imposed for non-compliance of AST activities with social or economic legislation.

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

EU28

EU29

FREQUENCY OF POWER OUTAGES

AVERAGE DURATION OF ELECTRICITY OUTAGES

In order 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.

In order 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, if possible, 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 2019 was achieved (ASAI index is 99.94%);
- to ensure the Customer Average Interruption Duration Index (CAIDI) per substation ≤ 0.9 h. In 2019, the CAIDI index is 0.47 h.

	2019	2018	2017
SAIDI	31.2	80.4	124.2
SAIFI	1.1	1.8	2.5

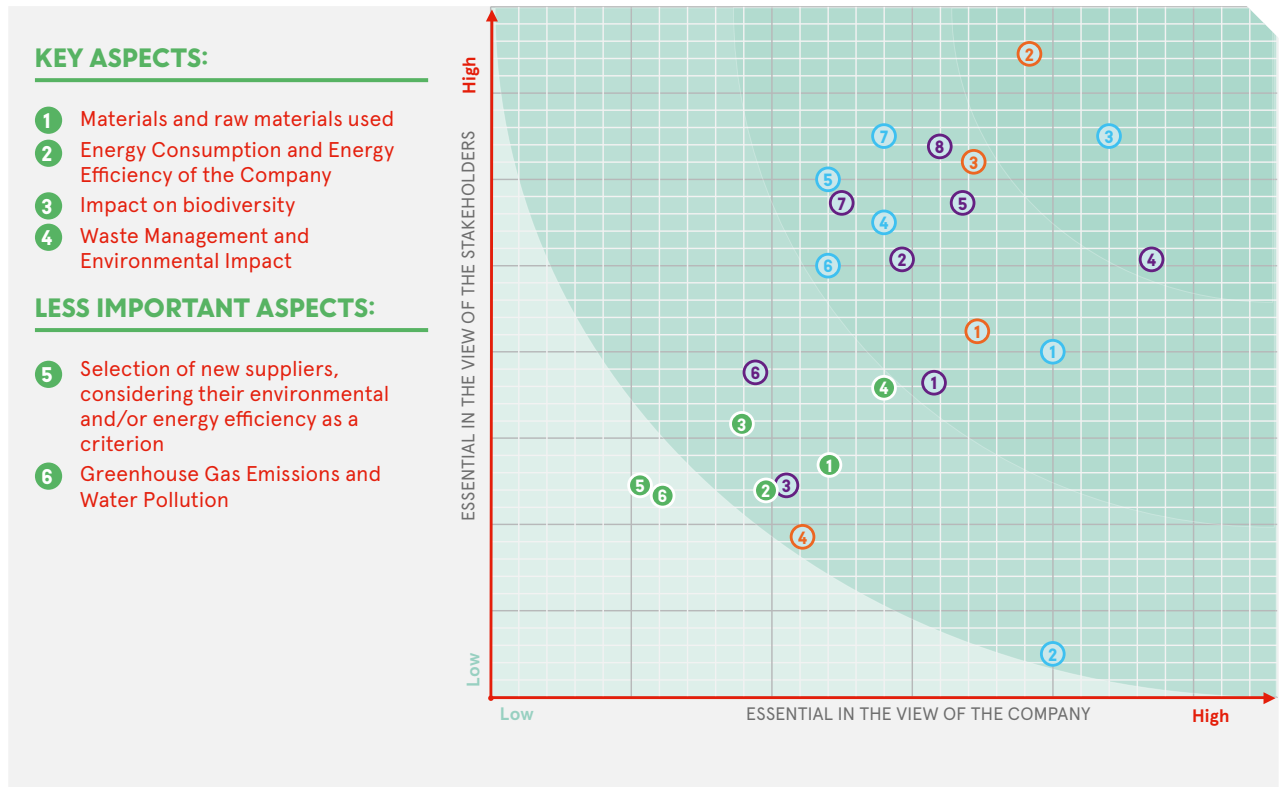
The Company measures the duration and number of power outages to customers. For this purpose, we use the international standards SAIDI and SAIFI.

SAIFI - System Average Interruption Frequency Index

SAIDI - System Average Interruption Duration Index

ENVIRONMENTAL PROTECTION

MATERIALITY MATRIX. ENVIRONMENTAL CONCERN



MANAGEMENT APPROACH

103

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 BY 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 amount of recyclable materials.

TRANSFORMER OIL WAS TREATED IN THE OIL RECOVERY UNIT IN THE PERIOD FROM 2017 TO 2019

2019	2018	2017
53.68 m ³	62.59 m ³	68.5 m ³

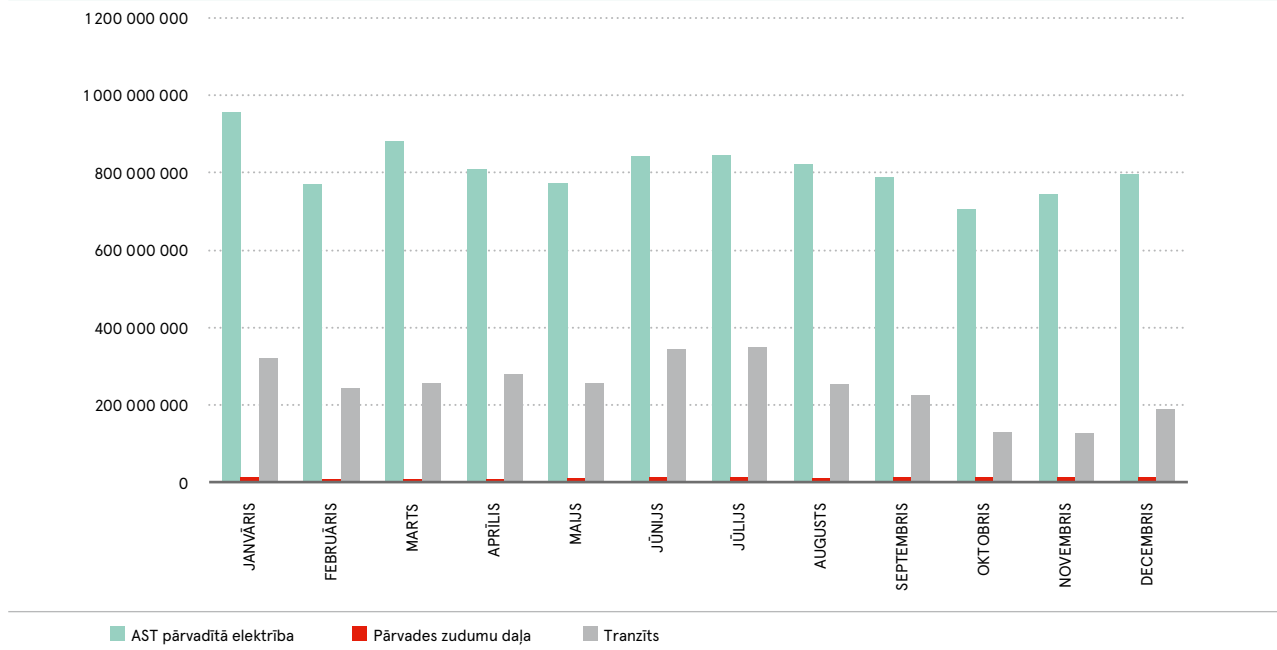
ENERGY CONSUMPTION AND ENERGY EFFICIENCY OF THE COMPANY

302-1

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 2019 is 741,620,640 kWh.

ELECTRICITY TRANSMITTED AND PROPORTION OF LOSSES (LOSSES IN 110/330 kV NETWORK) IN 2019, kWh



Source: AST

REDUCTION OF ENERGY CONSUMPTION

302-4

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).

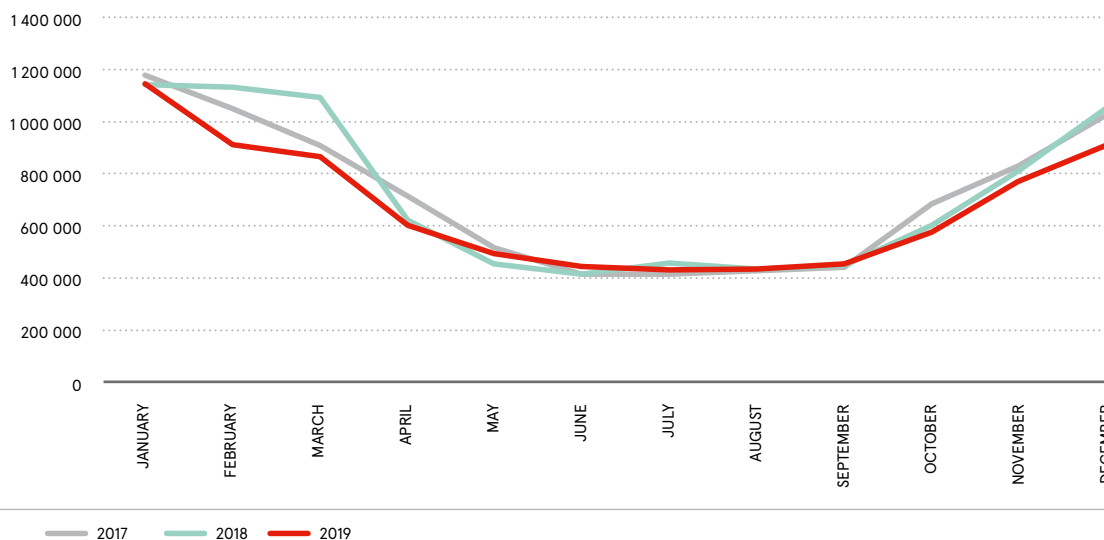
The Company has developed Energy Management Policy and Energy Efficiency Principles, as well as procedures K-5/1-136 "Procedure for Energy Efficiency Assessment of AS Augstsprieguma tīkls technological and economic objects" and K-5/1-119 "Energy Monitoring Procedures of AS Augstsprieguma tīkls", and 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 2017, 2018 and 2019, all objects (substations) and buildings were inspected; buildings and objects were assessed from the point of view of energy efficiency. In 2019, 59 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.

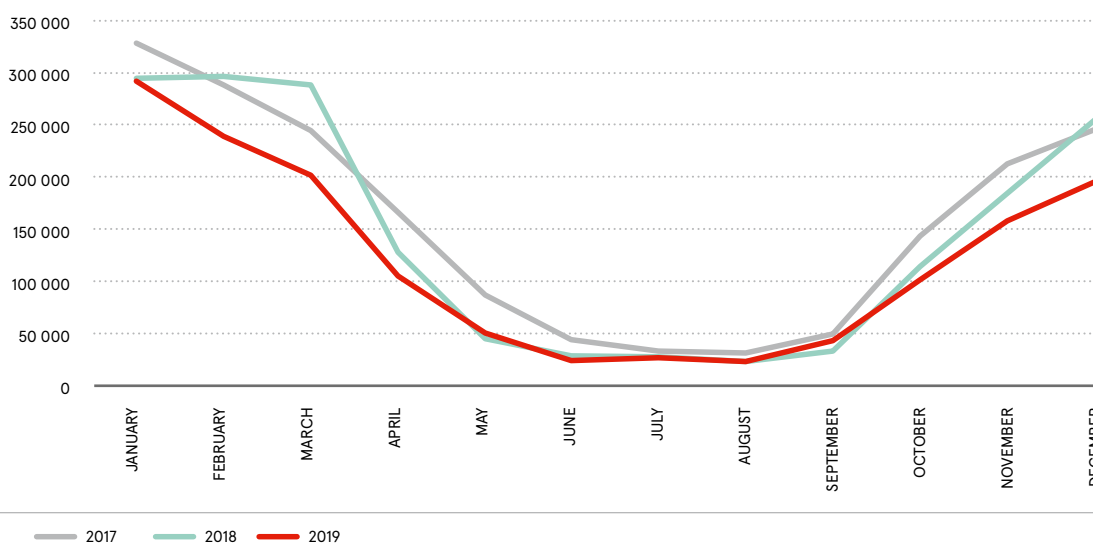
The total listed technological captive consumption for substations in 2019 is 8,039,050 kWh, which is 7% less than the technological captive consumption in 2018, i.e., 8,658,259 kWh.

LISTED TECHNOLOGICAL CAPTIVE CONSUMPTION, kWh



Source: AST

LISTED ECONOMIC CAPTIVE CONSUMPTION, kWh



Source: AST

The total listed economic captive consumption at AST facilities (excluding the electricity consumption of the administrative and technical base “Jānciems” of AST) in 2019 is 1,459,974 kWh, which in comparison to 2018, is 15% less, i.e., 1,717,845 kWh.

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 2019, 15 (fifteen) power transformers were replaced (including CPs, whose replacement was started in 2018) 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 ecodesign 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

304-2

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 the necessary 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-Tsiregulina", 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 in order to prevent significant harm to the economy or public security interests, as well as to protect the population of white storks. In order 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 (DAP) 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.

WASTE MANAGEMENT AND ENVIRONMENTAL IMPACT

306-2

Waste management of AST is performed in compliance with the laws and regulations of the Republic of Latvia (Law On Pollution, Waste Management Law, Cabinet Regulation of 13.09.2011 No. 703 "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 the Payment Thereof", Cabinet Regulation of 19.04.2011 No. 302 "Regulations on Waste Classification and Properties that Make Waste Hazardous"), with the 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 said 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 *Dārziema* 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 2017 – 2019

Waste group code, name	2019 (t)	2018 (t)	2017 (t)
200301, Unsorted municipal waste	176.50	200.09	222.54
Of them at <i>Dārziema</i> Street, Riga	111.24	112.32	112.32
In other objects	65.26	87.77	110.22
Different types of construction debris	86.80	62.40	104.59
Of them at <i>Dārziema</i> Street, Riga	21.90	16.20	20.40
In other objects	64.90	46.20	84.19
170407, Mixed metals	1,676.80	1,323.56	851.401
170411, Cables not conforming to the class 170407	0.15	11.42	5.515
160213, Electronics	1.28	0.40	0.52
130507, Oily water	149.40	98.51	79.50
130307, Mineral insulating oils	239.40	79.60	132.05
150202, Absorbent, rags, oily paper	2.746	1.512	1.56
160506, Chemical substances	0	0	0
60404, Mercury-containing waste	0	0	0
150110, Packaging that contains hazardous substance residue, or is contaminated with such substances	0.449	1.03	0.38
200133, Unsorted batteries	0	0.86	0.1
200121, Fluorescent light bulbs	0.188	0.12	0

In order 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 *Dārziema* 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.

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

308-1

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

In 2019, the procurements resulted in the conclusion of a total of 6 contracts for transformers that are environmentally friendly and calculate the life cycle, etc., and a total of 2 general agreements for the purchase of new transport units.

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 taken into account 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.

GREENHOUSE GAS EMISSIONS AND WATER POLLUTION

305-1

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 is able to 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 (very 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 2017 – 1.95 kg, in 2018 – 1.64 kg and in 2019 – 3.84 kg).

OVERVIEW OF ELECTRONEGATIVE GAS VOLUMES IN THE PERIOD FROM 2017 TO 2019

Accounting period	2019	2018	2017
Amount of equipment installed	79	34	51
Weight of electronegative gas in installed equipment, kg in the relevant year	842.6	323.2	418.8
Total weight of electronegative gas loaded in the equipment, kg	16,497.7	15,655.1	15,380.73
Leakage volume, kg	3.84	1.64	1.95

WATER CONSUMPTION

As part of the water management process, 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.

303-1

WATER CONSUMPTION IN THE PERIOD FROM 2017 TO 2019

Accounting period	2019	2018	2017
Consumption volume of water resources from contract organisations, m ³	8,005	10,438	8,904
Consumption volume of water resources from the wells of AS Augstsprieguma tīkls, m ³	986	974	1,127
total	8,991	11,412	10,031
For the needs of AS Augstsprieguma tīkls, m ³	8,506	10,576	9,658
Water supply to the population, m ³	485	836	373

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 works.

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 "Viskaji", where the said pollution was discharged into the local River Platones 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. As part of the remediation works, polluted groundwater (water – oil emulsion) in the amount of 65.7 tonnes was pumped out, and 1358 m³ of soil was excavated. To ensure the monitoring of remediation measures, groundwater monitoring is carried out in the period from 2016 to 2021.

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 taken into account 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.

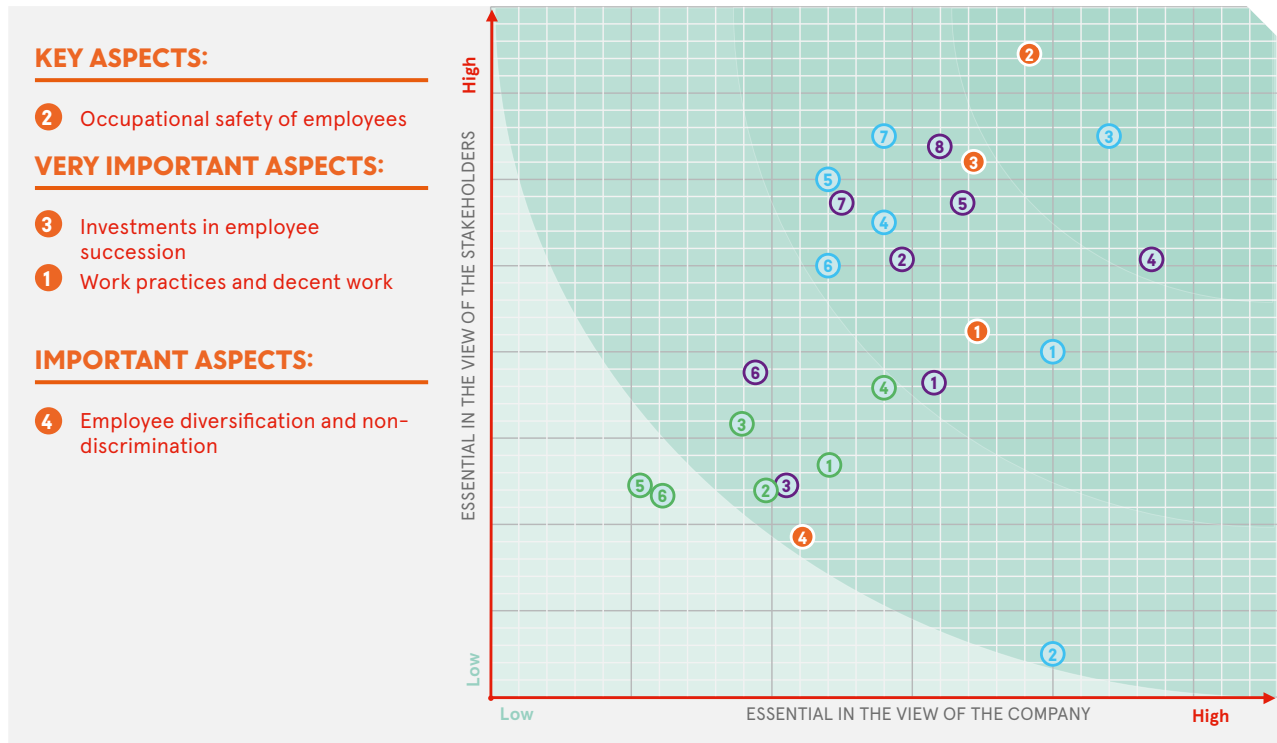
The amount of wastewater varies from year to year due to the water consumption and atmospheric precipitation.

WASTEWATER DISCHARGED BY THE COMPANY IN THE PERIOD FROM 2017 TO 2019

Discharge place	2019	2018	2017
Wastewater discharged to the contract organisations (in accordance with the contract), m ³	11,498 (including 4,582 of rainwater)	12,766 (including 4,626 of rainwater)	12,291 (including 4,596 of rainwater)
Wastewater treated in AS Augstsprieguma tīkls treatment plants, m ³	1,958	1,911	1,786
total	13,456	14,677	14,077

EMPLOYEES AND WORK ENVIRONMENT

MATERIALITY MATRIX. EMPLOYEES AND THE WORK ENVIRONMENT



MANAGEMENT APPROACH

103

AST is driven by development, but 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!

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 in order to promote efficiency and productivity, while taking care of each employee's motivation and loyalty to AST, a biennial employee satisfaction survey is 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.

The above-mentioned aspects are important in order 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 on a daily basis.

To find out the opinion of AST's employees on various issues related to the work environment, in 2019, a total of 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 in order 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.

Also, in order 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 quarter of 2019.

AST constantly pays attention to employees' views on the safety of the work environment. In order to update the assessment of the work environment, in 2018, in the survey of employees' opinions, which the Company conducts every two years, included questions on the safety of the work environment, and 98% of the respondents answered that they generally feel safe in their workplace.

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 for safe work performance. The contractors manage their human resources and AST monitors their activities on site.

103-1

103-2

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 ON THE BASIS OF THE FOLLOWING VALUES:



HONESTLY

Independent, ethical, and transparent action towards anyone and everyone.



WISELY

Effective. Looking forward. Long-term thinking.



RESPONSIBLE

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 on the basis of 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 *Energija* that entered into force at the end of 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.

At the same time, the Collective Bargaining Agreement also includes a number of guarantees, such as calendar days of additional leave, additional holidays and benefits for various life events relevant to the AST's employees, as well as governing the establishment/termination of employment, working time, rest periods, remuneration and employment protection.

Also, in order 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 quarter of 2019.

AST constantly pays attention to employees' views on the safety of the work environment. In order to update the assessment of the work environment, in 2018, in the survey of employees' opinions, which the Company conducts every two years, included questions on the safety of the work environment, and 98% of the respondents answered that they generally feel safe in their workplace.

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 for safe work performance. The contractors manage their human resources and AST monitors their activities on site.

SAFE WORKING 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.

EDUCATION AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Although AST has a relatively low staff turnover and the average length of service in the company is 16.2 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, provides proposals for identifying key 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. Assessing the need and opportunities, the Company's annual investment in staff training in 2019, compared to 2016, has almost doubled; moreover, comparing 2018 and 2019, the increase in 2019 is 65%.

404-2

	2019	2018	2017
Personnel training costs, thousand EUR	141	86	78

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. Professions such as electrical engineer and equivalent electrical systems engineers of AST are included in 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 155 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 the control of the Company's operations, which are determined by the applicable standards for requirements for energy companies. Considering the fact that 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 2019, compulsory training was performed for 294 employees.

Compulsory training	2019	2018	2017
Number of employees	294	420	315

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 taking into account AST's strategic objectives, the individual goals and objectives of the Company's departments and personnel, AST has provided 95 external training (courses, seminars, conferences) in 2019, attended by a total of 170 employees.

PERFORMANCE INDICATORS

102-8

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, in order 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 2019, AST EMPLOYED A TOTAL OF **551** EMPLOYEES IN ALL ITS STRUCTURAL UNITS.

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

Overall, 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, 98% of contracts are full-time and open-ended. In contrast, in 2019, AST employed 2% of all AST staff for a fixed period.

BREAKDOWN OF PERSONNEL INTO OPERATING SEGMENTS OF AST

	2019	2018	2017
System management	56	57	56
Growth	23	20	36
Support	41	38	22
Operation	369	377	374
Management	52+10	52+9	48+9
TOTAL:	551	553	545

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 45.4 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.

Occupational groups	Retirement in the next 5 years (01.01.2020 - 31.12.2024)		Retirement in the next 10 years (01.01.2020 - 31.12.2024)	
	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

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 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 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.

402-1

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

During the reporting period, six (6) accidents were identified, one of which was related to arbitrary expansion of the workplace, one related to road traffic accident, one related to leg injury, and three related to the risk of infection (tick infestation).

Considering the specifics of the Company's activities, in order 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; seven (7) near misses have been identified during the reporting period, which are related to the compliance with road traffic regulations. An assessment has been made in all cases.

In 2019, there was one work-related death in the Company due to the arbitrary job expansion. 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 2019, 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 performed for the employees who perform works in the electrical equipment. Employees are regularly subjected to the mandatory health examinations and vaccinations. 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, as a result of which occupational risk reduction measures are taken, thus, continuously improving the safety of employees at work and the work environment.

403-2

Accidents	2019	2018	2017
Number of accidents (tick infection)	3	1	3
Number of accidents (not serious)	2	2	1
Number of accidents (fatal)	1	0	0

No female was injured in 2019.

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.

LABOUR PROTECTION ISSUES INCLUDED IN THE COLLECTIVE AGREEMENT

403-4

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.

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

EU18

AST provides all (i.e., 100%) 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

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING SELECTED ESSENTIAL SUSTAINABILITY INFORMATION INCLUDED IN THE 2019 SUSTAINABILITY REPORT PERFORMED BY AS AUGSTSPRIEGUMA TĪKLS.

To the shareholder of AS Augstsprieguma tīkls

Workload

We have performed a Limited Assurance Engagement on the essential sustainability information selected by AS Augstsprieguma tīkls (hereinafter – the “Company”), which is included in the 2019 Sustainability Report (2019 Sustainability Report). The Sustainability Report is based on the standards issued by the non-profit organisation Global Reporting Initiatives (GRI) using the Core approach.

Management responsibility

The Company’s management is responsible for the preparation and presentation of the identified sustainability information in the Sustainability Report in accordance with the GRI standards using the Core approach. This responsibility includes designing, implementing, and maintaining internal control relevant to ensuring the production of identified sustainability information which does not contain material irregularities due to fraud or error. The Company’s management is responsible for the reliability, accuracy and veracity of the information and the proper preparation of the documentation provided to us as well.

Auditor independence and quality control

We have complied with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements related to integrity, objectivity, professional competence and due diligence, as well as confidentiality and professional conduct.

In accordance with International Quality Control Standard 1 issued by the International Federation of Accountants, we maintain a comprehensive quality control system, including documented policies and procedures that ensure compliance with ethical requirements, professional standards, and appropriate legal requirements.

Subject of the report and criteria

We assessed the compliance of the identified sustainability information with the GRO standards and with the Core approach. We have performed the Limited Assurance Engagement on the following key sustainability information and the information has been selected based on our professional judgement and harmonised with the Company and included in the 2019 Sustainability Report:

- Core (general standard information) information – Facts, Performance indicators, Cooperation with stakeholders, main topics covered, Principles of creating the content of the report, identification of the most important aspects of the sustainability, and Identification of the most important aspects of sustainability;
- Information on specific standards (Optional) – Dividend policy, Implemented activities, Economic value and performance of the Company in the national economy, Development of the system management and electricity market, Indirect impact of infrastructure development projects on the economy, Confirmed corruption cases and measures taken, Restrictions of competition, Energy consumed by the Company and energy efficiency of the Company, Greenhouse gas emissions and water pollution, Waste management and environmental impact, Types of accidents and incidents, occupational diseases, indicators of the days lost and absence, Non-compliance with social and economic regulations.

Auditor's responsibility

We are responsible for reaching a Limited Assurance Conclusion regarding the selected material sustainability information based on the procedures performed and the evidence obtained during the Limited Assurance Report task. The audit was performed in accordance with the International Standard for Assurance Engagements 3000 "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 comply with ethical standards, plan, and perform Limited Assurance procedures to obtain limited assurance that the selected sustainability information in the 2019 Sustainability Report does not contain material inconsistencies.

Our procedures were based on our professional judgement and included interviews, observation of processes performed, review of documents, analytical procedures, assessment of the appropriateness of quantification methods and reporting policies, and comparison of data. The scope of the procedures performed under the Limited Assurance task is significantly less than the procedures that would have been performed under the Limited Assurance task for both risk assessments, including gaining an understanding of internal control, and the procedures followed for the identified risks.

We performed the following procedures:

- We interviewed responsible personnel to evaluate the application of the Global Reporting Initiative standards and to gain an understanding of the internal control environment related to the preparation of sustainability information;
- We evaluated the processes of obtaining, compiling and presenting the information included in the 2019 Sustainability Report;
- We randomly checked the information included in the 2019 Sustainability Report by interviewing the relevant representatives of the Company's management;
- We performed random verification of the data included in the 2019 Sustainability Report;
- We reviewed the documents to confirm the statements of the management, which we obtained through interviews;
- We compared the financial information included in the 2019 Sustainability Report with the 2019 Financial Statement of the Company;
- We evaluated the general form and content of the 2019 Sustainability Report considering the compliance of the presented information with the applicable criteria.

Limitations

The procedures performed under the Limited Assurance Engagement differ in nature and are smaller in scope than a Reasonable Assurance Engagement. As a result, the level of assurance obtained with the Limited Assurance Engagement is significantly lower than the assurance we would have obtained if we had performed a sufficient Reasonable Assurance Engagement.

Our Limited Assurance Engagement applies to the selected indicators mentioned above and does not apply to the other information included in the Sustainability Report or to the report. Accordingly, our conclusion only applies to these selected indicators and does not apply to all submitted data or any other information included in the Sustainability Report.

The process that an organisation adopts to define, compile and report data on its non-financial performance is not subject to the formal processes established for the preparation of financial statements. Therefore, this type of data is subject to changes in definitions, aggregation, and reporting methodology without a consistent, accepted standard. As the methodology evolves, incomparable information may emerge between organisations and from year to year within the same organisation. The accuracy and completeness of the information disclosed in the Sustainability Report is subject to established limitations due to its nature and methods of determining, calculating, or evaluating such information.

Limited Assurance Conclusion

Based on our procedures, we have gained limited assurance that the information on the selected relevant sustainability information, which was mentioned above and is included in the Sustainability Report of AS Augstsprieguma tīkls, complies with the standards issued by the GRI using the Core approach, and we have not received any facts or circumstances that would lead us to believe that the selected material sustainability information presented in the Sustainability Report is materially incorrect.

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Inguna Staša
Valdes locekle
Zvērināta revidente
Sertifikāts Nr. 145

Rīga, Latvija
2020. gada 27. maijā

Deloitte Audits Latvia SIA
Licence No. 43

Inguna Staša
Member of the Board
Sworn auditor
Certificate No. 145

Riga, Latvia
27 May 2020

