



# AST



AS "AUGSTSPRIEGUMA TĪKLS"

# CORPORATE GOVERNANCE REPORT

2022

---

# CONTENTS

---

REPORT OF THE MANAGEMENT BOARD	3
CORPORATE STRATEGY	4
INTERNAL CULTURE AND ETHICAL CONDUCT	5
THE INTERNAL CONTROL SYSTEM, RISK MANAGEMENT, AND INTERNAL AUDIT	5
EXTERNAL AUDITOR	7
ELECTION OF THE MEMBERS OF THE SUPERVISORY BOARD	8
PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD	10
ORGANIZATION OF THE SUPERVISORY BOARD'S WORK AND DECISION-MAKING	11
PREVENTING CONFLICTS OF INTEREST	13
SHAREHOLDER MEETING	13
TRANSPARENCY OF COMPANY OPERATIONS	16

Translation note: This version of Corporate Governance Report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Corporate Governance Report takes precedence over this translation.

The Corporate Governance Report of AS "Augstsprieguma tīkls" for 2022 has been prepared in accordance with the requirements laid down in Section 56.2 of the Financial Instruments Market Law (hereinafter "FIML"), the Corporate Governance Code developed by the Advisory Board of the Ministry of Justice of the Republic of Latvia (hereinafter "Corporate Governance Code"), the recommendations of the European Union and the Organisation for Economic Cooperation and Development on corporate governance of the capital company.

Corporate governance in AS "Augstsprieguma tīkls" is implemented having regard to the laws

and regulations of the Republic of Latvia, the recommendations on corporate governance of a capital company of the European Union and the Organisation for Economic Cooperation and Development, and the Corporate Governance Code developed by the Advisory Council of the Ministry of Justice.

The Sustainability Report of AS "Augstsprieguma tīkls" (hereinafter "AST" or "Company") provides broader information on corporate governance. The Corporate Governance Report is publicly available on AST's website: <https://www.ast.lv/lv/content/korporativas-parvaldibas-modelis>

---

## REPORT OF THE MANAGEMENT BOARD

---

### ON COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

The Management Board of AS "Augstsprieguma tīkls" has assessed the Company's compliance with the corporate governance principles set out in the Corporate Governance Code. Having assessed the Company's governance system as well as its compliance with the principles in 2022, the Management Board is of the opinion that AS "Augstsprieguma tīkls" has complied, in material respects, with all the corporate governance principles applicable to its activity.

In accordance with the requirements laid down in Section 56.2 of the FIML, in the Corporate Governance Report, the Company additionally discloses the key elements of the internal control and risk management framework applied in the preparation of the financial statements.

The Company has established an effective internal control system that, among other things, ensures control over the financial reporting process. The control environment comprises preventive as well as detective controls to ensure the timely identification and correction of errors and inaccuracies. As part of the preventive control system, the Company has approved and established a number of internal documents that define the directions of its activity and processes. Examples of this framework include the "four-eyes" principle, regular internal management reporting, and segregation of duties.

The internal control function is performed by the Company's Management Board and monitored by

the Internal Audit Function, and the governance bodies – the Supervisory Board and its Audit Committee. The external and internal control of the Company's activity is carried out according to the prescribed procedure, which provides for regular and independent oversight.

The auditor of the Company's financial statements is prohibited from providing services that impair or could impair their independence. The general criteria for selecting the auditor are the auditor must be an internationally renowned auditing firm that has not provided financial reporting services to the Company in recent years, and a fee quote must be submitted.

The Company and its subsidiaries are required to obtain the prior approval of the AST's Audit Committee for receiving any services from the sworn auditor and the sworn auditor firm auditing AST's financial statements and Sustainability Report. The Company ensures that the term of office of an external auditor does not exceed five years.

The Company's Audit Committee oversees the preparation and audit of the Company's financial statements and consolidated financial statements.

The Board approved the Corporate Governance Report of AS "Augstsprieguma tīkls" for 2022 in Riga on 28 April 2023.

#### LEGEND:

- The principle/criterion has been fully met;
- The principle/criterion is not applicable to the activity of the capital company.

## CORPORATE STRATEGY

### 1. THE COMPANY HAS ESTABLISHED AN UP-TO-DATE STRATEGY THAT OUTLINES THE CORPORATE GOALS AND LONG-TERM VALUE GROWTH OBJECTIVES.

#### CRITERIA:

- The company has established an up-to-date strategy, the draft of which is prepared by the management board .
- The Supervisory Board is engaged in the strategy development process and approves the strategy at a Supervisory Board meeting.
- The Supervisory Board oversees the implementation of the strategy.
- The company's management board implements the strategy and regularly reports to the Supervisory Board on the progress made in its implementation.

#### FACTS:

- To ensure the principal business of the Company, strategic, tactical, and operational plans of the transmission network are developed, and the ten-year plan for the development of the transmission system.
- The strategic development of the activity of Augstsprieguma tīkls Group for a period of at least three years and the process for ensuring its implementation and assessment of the fulfilment of the set objectives is outlined in the Medium-term operational strategy.
- The non-financial and financial objectives of Augstsprieguma tīkls Group as well as performance indicators are set out in its Medium-term operational strategy. The medium-term performance objectives outlined in the strategy are integrated into a subordinate document, the annual action plan. The annual action plan is approved concurrently with the Company's budget for the following year, after analysing the potential risks and allocating the necessary resources to meet the objectives.
- The management of the set objectives involves regularly monitoring the progress made in achieving them, i.e., the accomplishment of the objectives outlined in the Medium-term operational strategy is monitored once a year, and the achievement of the objectives for the calendar year is monitored once a quarter.
- Continuity in the implementation of the Medium-term operational strategy is ensured, including the timely start of the planning process for the next strategy- planning period.

In 2021, the Company developed the Medium-term operational strategy for 2021-2025 of Augstsprieguma tīkls Group (hereinafter "Strategy"). The Strategy was developed considering the requirements laid down in the Law on Governance of Capital Shares of a Public Person and Capital Companies and in accordance with the Guidelines for the Development of the Medium-Term Operational Strategy of State-Owned Capital Companies of the Cross-Sectoral Coordination Centre (CSCC). The draft Strategy was approved by resolutions of the Company's Management Board of 28 July 2021 and the Company's Supervisory Board of 2 August 2021. After receiving the opinions of the IMCC and the sectoral ministry, the Strategy was approved by a resolution of the Company's Supervisory Board of 21 December 2021.

The Strategy defines the financial and non-financial objectives and their performance indicators of Augstsprieguma tīkls Group for 2021-2025.

Based on the objectives defined in the Strategy, the Company's Management Board develops, and the Supervisory Board approves the Company's objectives for the current year. The work plan, objectives, and their performance indicators for 2023 were accepted under the decision of AST's Supervisory Board of 30 November 2022 and approved under the decision of AST's Supervisory Board of 20 December 2022.

The Company monitors progress against the objectives on a quarterly basis, reviewing progress at the Management Board meeting and reporting to the Supervisory Board.

## INTERNAL CULTURE AND ETHICAL CONDUCT

### 2. THE COMPANY DEVELOPS A CODE OF INTERNAL CULTURE AND ETHICAL CONDUCT THAT SERVES AS A STANDARD OF CONDUCT FOR THE COMPANY'S MANAGEMENT AND EMPLOYEES.

#### CRITERIA:

- The Supervisory Board defines the company's core values.
- The management board prepares and the Supervisory Board approves the code of internal culture and ethical conduct.
- The management board ensures compliance with the code of internal culture and ethical conduct in the company's day-to-day operations and responds when a violation of the code of ethical conduct is established.

#### FACTS:

- AST's mission, vision, and values are defined according to the strategic goal and AST's role as a transmission system operator in the Latvian economy.
- The Company has set corporate values and high standards of professional conduct and ethics, ensuring that these are aimed against corruption, the prevention of conflict of interest situations in day-to-day activities, illegal use of insider information, and any other illegal and unethical conduct.
- The Company's Management Board has developed, and the Supervisory Board has approved the Code of Corporate Values and Ethics.
- The Code of Ethics of AS "Augstsprieguma tīkls" is available on the Company's website <https://www.ast.lv/en/content/code-ethics>.

## THE INTERNAL CONTROL SYSTEM, RISK MANAGEMENT, AND INTERNAL AUDIT

### 3. THE COMPANY HAS ESTABLISHED AN INTERNAL CONTROL SYSTEM, THE EFFECTIVENESS OF WHICH IS OVERSEEN BY THE SUPERVISORY BOARD

#### CRITERIA:

- The company has a documented internal control system, the development of which is the responsibility of the management board.
- Internal audit assesses the effectiveness of the internal control system at least once a year against predefined criteria and reports the results of the assessment to the Supervisory Board.
- The management board evaluates the assessment of the effectiveness of the internal control system at least once a year.

#### FACTS:

- The Company has established an internal control system (including internal audit) which is continuously improved, and the risk management system.
- Since the end of 2002, AST has established, certified, maintained, and further developed the Integrated Management System. The Integrated Management System is currently maintained in accordance with the standards ISO 9001, ISO 14001, ISO 45001, and ISO 50001 and in line with the Company's priorities. Information about the implemented quality management system is available on AST's website: <https://www.ast.lv/en/content/quality-systems>.
- The implemented Integrated Management System ensures an efficient operation of AST by following internationally recognised operational principles for managing quality, occupational health and safety, energy efficiency, and environmental protection aspects, ensuring the identification and implementation of the requirements of laws and regulations, facilitating the identification and fulfilment of the expectations of customers and stakeholders, by viewing business

- developments through the prism of risk management and processes.
- The Supervisory Board ensures oversight of the effectiveness of the Company's internal control, risk management, compliance system, and Internal audit function. The Audit Committee provides oversight to the extent it concerns ensuring the reliability and objectivity of the annual reports and consolidated annual reports is concerned.
  - The Management Board ensures the implementation of the Company's internal control, risk management, and compliance framework, an independent and objective assessment of which is carried out by the Internal audit function.
  - The Internal audit function develops, and the AST's Supervisory Board approves the internal audit plan for the following year as well as the internal audit strategic plan for the next five years. The internal audit plan for 2023 and the strategic internal audit plan for 2023-2027 have been approved under decision of AST's Supervisory Board of 27 January 2023.
  - In accordance with the requirements of the International Standard for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, at least once a year, the Internal audit function of AST reports on the activity of the internal audit to the Company's Supervisory Board and provides an overall opinion on the effectiveness of the internal control and risk management system of AS "Augstsprieguma tīkls".
  - The overall opinion on the effectiveness of the internal control and risk management systems of AS "Augstsprieguma tīkls" comprises an opinion on the effectiveness of the internal control activities implemented in AST, as well as recommendations for further improvement of the internal control system.
  - The overall opinion of the Internal audit function on the effectiveness of the internal control and risk management systems of AS "Augstsprieguma tīkls" in 2022 (the Opinion) was assessed at the Supervisory Board meeting of AS "Augstsprieguma tīkls" on 31 March 2023. According to the opinion, the internal control activities implemented in AST are sufficiently effective to ensure the achievement of AST's strategy and objectives and to manage the strategic risks.
  - The Supervisory Board of AST monitors the implementation of the Internal audit policy of AST; the Internal audit function regularly reports regularly to the Supervisory Board on the progress in implementing and fulfilling the approved audit recommendations.

#### 4. THE COMPANY IDENTIFIES, ASSESSES, AND MONITORS THE RISKS RELATED TO ITS ACTIVITY

##### CRITERIA:

- The management board develops and the Supervisory Board approves the company's risk management policy.
- Based on the assessment of the identified risks, the management board takes risk management measures.
- At least once a year, the Supervisory Board reviews the management board's reports on risk management measures and the implementation of the risk management policy.

##### FACTS:

- AST promotes business conduct that is based on good-faith principles, complies with ethical standards, as well as carries out the necessary acts to eliminate the risks of corrupt and fraudulent activity and facilitate the improvement of the control environment.
- To strengthen risk management in AST, the Risk management policy was revised in 2022. It was reviewed at AST's Management Board meeting held on 29 June 2022. To enhance risk management, the Risk management concept and a number of risk management regulations were reformulated in 2022, including AST's Regulation for the management of environmental risks, Regulation for the management of technical risks, Regulation for the management of system management risks, the Regulation for the management of fraud, corruption and conflict of interest risks, and Regulation for the management of physical security risks. Considering that AST is implementing a number of strategically important investment projects, the regulations for the risk management of investment projects have been developed and approved.
- The risk management in AS "Augstsprieguma tīkls" is governed by the Risk management policy and concept of AS "Augstsprieguma tīkls", as well as by the individual risk management regulations.
- AST manages its risks using the prudence principle and acting in line with its risk appetite.
- To ensure a more dynamic and effective management of material risks, in 2022, AST submitted regular (quarterly) reports to the Management Board on the management of material risks, after evaluating compliance with risk appetite and risk indicators. The list of

AST's material risks includes the risks with the highest residual risk scores of all risk areas.

- The Company ensures regular monitoring of risks. A report on the regular or extraordinary review of risks in each area is prepared for the

Management Board . Once a year, the annual risk management report for the current year is presented to the Management Board and consequently, to the Supervisory Board.

## 5. THE COMPANY HAS ESTABLISHED AN INTERNAL AUDIT FUNCTION THAT INDEPENDENTLY AND OBJECTIVELY ASSESSES THE COMPANY'S PERFORMANCE

### CRITERIA:

- The company has an internal auditor who is functionally independent of the management board and reports to the Supervisory Board.
- The internal auditor is approved by the Supervisory Board.
- The internal auditor develops a risk-based internal audit plan, which is approved by the Supervisory Board.
- The internal auditor informs the management board and the Supervisory Board of the fulfilment of the internal audit plan, the results of the audit, and the recommended actions to remedy deficiencies, if any.

### FACTS:

- The Company's internal audit complies with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics in its activity.
- In accordance with the Company's Corporate governance policy, the Supervisory Board and the Audit Committee of Augstsprieguma tīkls have a functional oversight of the Internal audit function, but administratively it reports to the Chairman of the Management Board of AST.
- The Company's Supervisory Board takes part in the procedure for selecting an internal auditor, and subsequently decides on the assessment of performance during the probationary term at the meeting of AST's Supervisory Board.
- Based on the risk assessment carried out, a strategic and annual internal audit plan is prepared, reviewed by AST's Management Board and Audit Committee, and approved by the AST's Supervisory Board.
- The internal auditor informs the Management Board and the Supervisory Board of the fulfilment of the internal audit plan, the results of the audit, and the recommended actions to remedy deficiencies, if any.
- The Internal audit function prepares an overall assessment of the effectiveness of the internal control and risk management systems of AST in the reporting year and submits it to the Supervisory Board, the Audit Committee, and the Management Board.

---

## EXTERNAL AUDITOR

---

## 6. THE COMPANY HAS AN INDEPENDENT EXTERNAL AUDITOR

### CRITERIA:

- The Supervisory Board and the audit committee, if established, determine the criteria for the selection of an external auditor.
- The company has an independent external auditor with appropriate qualifications.
- The term of office of an external auditor does not exceed five years.

### FACTS:

- The Company's financial statements are audited by an independent sworn auditor. The preparation of AST's annual report and the consolidated annual report is overseen by AST's Audit Committee.
- The annual reports of AST are audited by international audit firms represented in Latvia, thus ensuring that the services provided are of high quality. AST's Audit Committee has oversight of the independence and objectivity of the sworn auditor of AST's financial statements, including by agreeing on the criteria for the selection of auditors as part of the procurement procedure.

AST's current annual auditor was selected as part of the procurement procedure carried out in February–March 2021 for the audit of AS "Augstsprieguma tīkls" 2021–2023 financial statements, consolidated financial statements, and sustainability reports. This procurement procedure was carried out before AST's Audit Committee was elected. The next procurement procedure is scheduled for the end of 2023, subject to the prior agreement of the auditor selection criteria with the Audit Committee.

- A sworn auditor is prohibited from providing services that impair or are likely to impair

their independence. AST and its subsidiaries are required to obtain the prior approval of AST's Audit Committee for any services to be provided by a sworn auditor and a sworn auditor firm auditing AST's financial statements and sustainability reports.

- The Company ensures that the term of office of an external auditor does not exceed five years. The Company's annual reports for 2021 and 2022 were audited by SIA "PricewaterhouseCoopers". SIA "Deloitte Audits Latvia" was the auditor of the Company's financial statements from 2018 to 2020 (a 3-year period).

---

## ELECTION OF THE MEMBERS OF THE SUPERVISORY BOARD

---

### 7. THE COMPANY ENSURES A TRANSPARENT PROCEDURE FOR THE ELECTION AND REMOVAL OF THE MEMBERS OF THE SUPERVISORY BOARD

#### CRITERIA:

- The company has established a procedure for the selection and removal of Supervisory Board members.
- The company provides timely and sufficient information to its shareholders about the members of the Supervisory Board nominated for election or re-election.
- The size of the Supervisory Board is appropriate to the nature of the company's activity.
- A member of the Supervisory Board is elected for a term of office not exceeding five years.

#### FACTS:

- AST's Supervisory Board represents the interests of the shareholder in between Shareholder Meetings and oversees the activities of AST's Management Board, gets involved in the strategic development of AST, and in the monitoring of the financial and risk management system.
- The tasks and principles of operation of AST's Supervisory Board, as well as its main responsibilities, are determined by the Law on Governance of Capital Shares of a Public Person and Capital Companies, the Articles of Association of AST, and the bylaws of the Supervisory Board, which are available on AST's website: <https://www.ast.lv/en/content/supervisory-board>.
- The Supervisory Board is composed of five (5) members elected for a 5-year term, <https://www.ast.lv/en/content/model-corporate-governance>.
- The members of AST's Supervisory Board are selected by open competition. The current members of AST's Supervisory Board are Chairman of the Board Kaspars Āboliņš, Deputy Chairwoman Olga Bogdanova, members of the Board Aigars Ģērmanis and Armands Eberhards were elected by a resolution of the extraordinary AST's Shareholder Meeting on 30 December 2019. On 26 January 2022, a member of the Supervisory Board Madara Melne resigned from AST's Supervisory Board. AST's Supervisory Board will continue to be composed of four members until a new member is elected.
- In 2022, 18 Supervisory Board meetings were held, over 140 agenda items were reviewed, and 60 decisions were passed.



## 8. THE MEMBERS OF THE SUPERVISORY BOARD COLLECTIVELY HAVE RELEVANT EXPERIENCE AND EXPERTISE

### CRITERIA:

- The Supervisory Board collectively has the skills, experience, and knowledge, including in the relevant sector, to be able to fully carry out its responsibilities.
- The composition of the Supervisory Board is based on the principles of diversity.
- Both genders are represented on the Supervisory Board.
- The management board has established an induction training programme and provides induction training for new members.

### FACTS:

- AST's Supervisory Board is elected through a selection process that ensures the recruitment of highly qualified professionals, and a description of the members' education and work experience is available on AST's website.
- The members of AST's Supervisory Board are elected in accordance with the provisions of the Law on Governance of Capital Shares of a Public Person and Capital Companies and Cabinet Regulation No. 20 "Nomination Procedure for Members of the Board and Supervisory Board in Capital Companies in which the State or a Derivative Public Person Holds Capital Shares" of 7 January 2020, as well as having regard to the guidelines issued by the IMCC. In nominating the members of AST's Supervisory Board, all candidates are given equal opportunities, and any discrimination on the grounds of gender, age, religion, or other characteristics is not tolerated.
- Both genders are represented on AST's Supervisory Board.
- At the beginning of the tenure, the Management Board provides information about the key aspects of the Company's activity to the new members of the Supervisory Board.

## 9. THE SUPERVISORY BOARD IS COMPOSED OF INDEPENDENT MEMBERS

### CRITERIA:

- The company assesses and shareholders determine the proportion of independent members of the Supervisory Board.
- At least half of the members are independent.
- Independent Supervisory Board candidates submit a declaration of their compliance with the independence criteria.
- Before the election of the Supervisory Board, the company assesses the independence of the members of the Supervisory Board according to the available information.

### FACTS:

- The nomination and appointment of the current members of AST's Supervisory Board and the requirements for candidates were determined in accordance with the Law on the Governance of Public Entity Capital Shares and Capital Companies (prior to the amendments that came into effect on 1 January 2020), and Cabinet Regulation issued thereunder, as well as the recommendations contained in the IMCC guidelines. Given that the member of the Supervisory Board Madara Melne resigned from AST's Supervisory Board on 26 January 2022, the Supervisory Board currently consists of one independent Supervisory Board member whose compliance with independence requirements was assessed prior to appointment according to the laws effective at that time.
- Nomination of the members of AST's Supervisory Board was organised by the then shareholder, the Ministry of Finance, and it was conducted in accordance with the principles of good corporate governance practices to ensure an open, fair, and professional selection of Supervisory Board members to contribute to the establishment of a professional and competent Supervisory Board of a capital company. The composition of AST's Supervisory Board (five members) was chosen to ensure all the necessary competencies and a sufficiently critical and independent attitude in the evaluation and decision-making process.
- For information on the evaluation process and the decisions taken for the members of AST's Supervisory Board: <https://www.fm.gov.lv/lv/>

- media/2159/download; <https://www.ast.lv/lv/events/iecelti-jauni-ast-padomes-locekli>
- In accordance with the recommendations of the independent nomination committee established by the Ministry of Finance and composed of the representatives of the Latvian Trade Union "Energy", AST's Shareholder Meeting elected the members of AST's Supervisory Board who, in general, possess a set of skills, experience, and knowledge in the relevant sector to be able to fully perform their duties, and who are considered to be highly professional. Both genders are represented on the Supervisory Board of AST, with a total of five (5) members.
  - The term of office of the members of AST's Supervisory Board expires on 30 December 2024.

---

## PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

---

### 10. THE COMPANY HAS ESTABLISHED A REMUNERATION POLICY

#### CRITERIA:

- The company has established a remuneration policy, which has been developed by the management board, reviewed by the Supervisory Board, and approved by the shareholder meeting.
- The Supervisory Board sets financial and non-financial objectives for the management board each year, determines their impact on the variable remuneration, and monitors their fulfilment.
- No variable remuneration is provided for the Supervisory Board members, nor any compensation be paid in the event of removal or resignation from the office.
- The management board reports annually on the remuneration granted to each current and former member of the management board and the Supervisory Board.

#### FACTS:

- The remuneration policy of the Management Board and the Supervisory Board is determined by the laws of the Republic of Latvia, which regulate the maximum remuneration of the Management Board and the Supervisory Board as well as the amount of the variable remuneration.
- The general principles of the Company's remuneration policy, including the remuneration policy of the Management Board and the Supervisory Board, are set out in the Company's Corporate governance policy.
- According to the Cabinet Regulation, the remuneration of the Management Board and the Supervisory Board in state capital companies is determined by assessing the indicators characterising the size of the capital company, i.e., turnover, total assets, and the number of employees.
- The maximum amount of remuneration is determined by applying a coefficient in accordance with the indicators characterising the size of the capital company and considering the average monthly wages of employees in the country in the previous year as published in the Official Statistical Bulletin of the Central Statistical Bureau.
- Pursuant to Section 79, Paragraph 7 of the Law on Governance of Capital Shares of a Public Person and Capital Companies, the amount of variable remuneration of a member of the Management Board may not exceed the amount of two months' wages.
- When adopting the budget for the following year, the Supervisory Board approves the financial and non-financial objectives of the Company for the following year and the performance indicators to be achieved. In addition, the Supervisory Board approves the objectives to be achieved by the individual Management Board members and their impact on their variable remuneration. The Company's financial and non-financial objectives for 2022 were approved at the Supervisory Board meeting on 20 December 2021, whereas the individual performance objectives for 2022 for the Chairman and Management Board members of AS "Augstsprieguma tīkls" were approved as part of AST's Supervisory Board resolution of 25 February 2022. The Management Board of the Company reports to the Supervisory Board on a quarterly basis on the progress made in achieving the objectives.
- In deciding whether to grant a bonus to the Management Board, the Supervisory Board assesses AST's performance in the previous reporting year, the Company's financial and non-financial objectives, and the individual objectives set for the Management Board member.
- The members of the Company's Supervisory Board are not paid variable remuneration, bonuses, or any compensation in the event of removal from office or resignation.
- A report on the remuneration policy implemented by the Company is included

in the Company's non-financial statement "Sustainability Report". A report on the remuneration policy in 2022 is included in

AST's Sustainability Report for 2022, which is available on AST's website: <https://www.ast.lv/en/content/sustainability-reports>.

## ORGANIZATION OF THE SUPERVISORY BOARD'S WORK AND DECISION-MAKING

### 11. COMPANY HAS ESTABLISHED DEFINED AND CLEAR WORK ARRANGEMENTS FOR THE SUPERVISORY BOARD

#### CRITERIA:

- The Supervisory Board organises its work in accordance with the Supervisory Board's rules of procedure and work time schedule.
- The Supervisory Board holds at least one separate meeting per year to discuss the company's strategy and its implementation.
- The company's budget allocates the necessary resources for the work of the Supervisory Board.
- The Supervisory Board conducts an annual self-evaluation of its work, the results of which are reviewed at a Supervisory Board meeting.
- The Supervisory Board has considered the need to establish committees.

#### FACTS:

- AST's Supervisory Board organises its work in accordance with the Supervisory Board's Rules of Procedure, which are available on AST's website: <https://www.ast.lv/en/content/supervisory-board>.
- AST's Supervisory Board holds meetings in accordance with the calendar approved by the Supervisory Board.
- In 2021, AST's Supervisory Board approved the Medium-term operational strategy for 2021-2025 (the Strategy) of Augstsprieguma tīkls Group. In 2022, the Supervisory Board held quarterly meetings to review progress in achieving the objectives set out in the Strategy.
- The Company's annual budget allocates the necessary funding for the functioning of the Supervisory Board.
- To manage the objectives, progress is regularly monitored: the objectives set out in the Medium-term operational strategy are monitored once a year and the calendar year objectives are monitored once a quarter.
- Once a year, concurrently with the approval of the previous year's financial statements, the Supervisory Board conducts a self-evaluation of the Supervisory Board's performance and submits the results to AST's Shareholder Meeting for consideration. The Supervisory Board's self-assessment was considered at AST's Shareholder Meeting held on 29 April 2022.
- AST's Audit Committee has been established by a resolution of AST's Shareholder Meeting of 22 September 2021. There have not been established other AST committees besides the Audit Committee.

### 12. THE SUPERVISORY BOARD TAKES INFORMED AND WELL-INFORMED DECISIONS

#### CRITERIA:

- The Supervisory Board has timely and sufficient access to information prepared by the management board for decision-making.
- The Supervisory Board determines the procedures for the circulation of information, including the right of the Supervisory Board to request information from the management board necessary for the Supervisory Board to take decisions.
- A member of the Supervisory Board analyses the information and prepares proposals for decisions by the Supervisory Board.
- In decision-making, the management board assesses the risks, their short- and long-term impact on corporate value, sustainability and responsible development.

**FACTS:**

- The bylaws of AST's Supervisory Board lay down the procedures for preparing and submitting documents to the Supervisory Board, convening Supervisory Board meetings, and decision-making.
- In accordance with Paragraph 5.9 of the bylaws of the Supervisory Board, the documents and draft decisions necessary for consideration of the items on the agenda of a Supervisory Board meeting are delivered to the members of the Supervisory Board not later than three (3) working days before holding the regular meeting of the Supervisory Board, unless a different deadline has been agreed.
- In accordance with paragraphs 7.5 and 7.6 of the bylaws of the Supervisory Board, a draft decision and the documents supporting the decision are attached to the item submitted for consideration at a Supervisory Board meeting. A draft decision must be accompanied by an explanatory memorandum (report), a presentation, and other material justifying the need for the Supervisory Board to adopt the decision and forecasting the likely economic, social, legal, and other consequences of the decision.
- In accordance with paragraphs 3.3.5 and 3.4 of the bylaws of the Supervisory Board, the Supervisory Board has the right to request from the Management Board information necessary for the supervision of the Company and the exercise of the Supervisory Board's functions, which is submitted to the Supervisory Board in such a form, which enables achieving the objectives set out in the information request.

## 12.1. THE COMMITTEE PREPARES PROPOSALS FOR DECISION-MAKING BY THE SUPERVISORY BOARD

**CRITERIA:**

- The Supervisory Board determines the tasks of the committee and the arrangements for organizing its activities.
- The Supervisory Board establishes a committee of at least three (3) Supervisory Board members with appropriate experience and expertise in the relevant area of the committee (remuneration, nomination, audit or another area).
- It analyses the information and prepares proposals for decisions by the Supervisory Board and informs the Supervisory Board of its work.

**FACTS:**

- AST has established the Audit Committee composed of three (3) members, two (2) independent members, and one (1) dependent member of AST's Supervisory Board. The Audit Committee reports to the Supervisory Board of AST on its activities and the performance of its tasks.
- The main role of AST's Audit Committee is to ensure that the interests of the shareholder and the Shareholder Meeting are safeguarded with regard to the preparation of the annual reports, their audit, and the effectiveness of the internal control, risk management, and internal audit systems insofar it relates to ensuring the reliability and objectivity of the annual reports, to make proposals to AST's Supervisory Board to ensure the reliability and objectivity of the annual reports and the consolidated annual reports.
- The objectives and tasks, operating principles, rights, and responsibilities of AST's Audit Committee are defined in the bylaws of AST's Audit Committee, available on AST's website: <https://www.ast.lv/en/content/audit-committee>.
- During the reporting period, six (6) meetings of AST's Audit Committee were held, and nine (9) resolutions were passed. The report of the Audit Committee on its activities in the previous reporting period was discussed at its meeting held on 25 February 2022.

## PREVENTING CONFLICTS OF INTEREST

### 13. THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD ARE WELL AWARE OF THE MANIFESTATIONS OF A CONFLICT OF INTEREST AND ARE INFORMED OF THE NECESSARY ACTION TO BE TAKEN IN THE EVENT OF A CONFLICT OF INTEREST

#### CRITERIA:

- The Supervisory Board defines the indications of a conflict of interest and establishes procedures to avoid and manage conflicts of interest.
- The members of the Supervisory Board or the management board do not participate in decision-making on matters where the interests of the company conflict with the interests of the Supervisory Board, the management board, or persons related to them.
- Persons subject to the obligation to prevent conflicts of interest are regularly trained in dealing with conflicts of interest.

#### FACTS:

- The members of AST's Management Board and the Supervisory Board, and the members of the Audit Committee are public officials within the meaning of the Law on the Prevention of Conflicts of Interest in the Activities of Public Servants and must comply with the general and specific restrictions on the combination of public office, income generation, commercial activities, acceptance of gifts and donations and other restrictions set out in the said Law. For the members of AST's Management Board, the prior approval of the Supervisory Board to combine their offices is required, whereas for the Supervisory Board members the prior approval of the shareholder is required. The members of AST's Management Board and Supervisory Board file annual declarations as public officials.
- In their activities, the members of AST's Management Board observe the restrictions imposed on transactions with related parties set out in the Commercial Law, as well as the prohibition of competition and the restrictions set out in the Law on Prevention of Conflict of Interest in the Activities of Public Officials.
- The Company provides regular training to the persons which are subject to the duty to prevent conflicts of interest - on how to deal with conflict of interest situations. Training material and a test to check knowledge are sent electronically once a year, and training involving specialists from the Office for the Prevention and Combating of Corruption (KNAB) takes place at least every three years. The most recent training, attended by an expert from KNAB, was organised on 26 November 2021.
- For detailed information on the Company's management of fraud, corruption and conflict of interest risks, please visit the AST website: <https://www.ast.lv/en/content/management-risks-fraud-corruption-and-conflicts-interest>.

## SHAREHOLDER MEETING

### 14. THE COMPANY PROVIDES SHAREHOLDERS WITH TIMELY INFORMATION ON THE COURSE OF THE SHAREHOLDER MEETING, PROVIDING ALL INFORMATION NECESSARY FOR DECISION-MAKING

#### CRITERIA:

- The company informs shareholders in time about the agenda, the course, and the voting procedure of the Shareholder Meeting as well as about any changes thereto.
- Concurrently with the announcement of the meeting, the company gives shareholders the opportunity to familiarise themselves with the draft resolutions to be preliminary voted on at the meeting. The company promptly informs shareholders of any additional draft resolutions submitted.

- The company gives shareholders the opportunity to submit questions about the items on the agenda and draft resolutions before the meeting.
- Draft resolutions and the documents accompanying them contain detailed, clear and complete information on the matter to be discussed.

#### FACTS:

- In 2022, the interests of the shareholder were represented at AST's Shareholder Meeting by the State Secretary of the Ministry of Finance, or another Ministry official designated by the order of the State Secretary, who has all the rights, duties, and responsibilities of a shareholder's representative provided for in the regulatory enactments.
- AST's Shareholder Meeting adopts decisions within the scope of its competence established by the Law on Governance of the Capital Shares of a Public Person and Capital Companies.
- The internal regulations issued by the Ministry of Finance prescribe the procedure under which the Ministry of Finance organizes the management of state capital shares in order to ensure a coordinated and predictable system for the management of state capital shares and cooperation between the Ministry of Finance as the holder of state capital shares and capital companies.
- Four Shareholder Meetings were held in 2022, at which a number of important decisions were made relating to the approval of the consolidated annual report of Augstsprieguma tīkls Group and AST's annual report for 2021, the appropriation of the 2021 profit, the fulfilment of AST's work plan and the objectives for 2021, the election of an auditor for the audit of AST's annual report for 2022, the consolidated report and the sustainability report, the increasing of AST's share capital and amendments to the Articles of Association, changes in the composition of AST's Supervisory Board, the election of the members of AST's Audit Committee, and the establishment of the Baltic Regional Coordination Centre.
- The agenda and resolutions of AST's Shareholder Meetings are available on AST's website: <https://www.ast.lv/en/content/shareholder-and-shareholders-meeting>.

## 15. THE COMPANY PROMOTES THE EFFECTIVE INVOLVEMENT OF SHAREHOLDERS IN DECISION-MAKING AND THE BROADEST POSSIBLE PARTICIPATION OF SHAREHOLDERS IN THE SHAREHOLDER MEETING

#### CRITERIA:

- Shareholder meetings are convened and held at a time and place convenient to the shareholders.
- The company offers shareholders the opportunity to participate in the shareholder meeting remotely.
- The company determines the appropriate duration of the shareholder meeting and gives shareholders the opportunity to express their views during the meeting and to obtain the information necessary for decision-making.
- The company convenes a new shareholder meeting if the items on the agenda cannot be dealt with in the allotted time frame.
- The company invites the members of the management board, the Supervisory Board, candidates nominated to the Supervisory Board, the auditor and the internal auditor, and other persons to attend the shareholder meeting, depending on the issues to be dealt with at the meeting.
- The shareholder meeting makes resolutions according to the previously announced draft resolutions.

#### FACTS:

- All shares (100%) in AS "Augstsprieguma tīkls" are owned by the State. Under Paragraph 15 of Cabinet Order No. 968 "On Reorganisation of the Ministry of Economics and the Ministry of Environmental Protection and Regional Development and Establishment of the Ministry of Climate and Energy" of 23 December 2022 (amended by Cabinet Order No. 77 "Amendments to Cabinet Order No. 968 "On the Reorganisation of the Ministry of Economics and the Ministry of Environmental Protection and Regional Development and Establishment of the Ministry of Climate and Energy" of 14 February 2023), the Ministry of Finance was tasked with transferring the shares held by the State in the joint stock company "Augstsprieguma tīkls" to the Ministry of Climate and Energy.
- On 6 March 2023, the Ministry of Finance transferred the state-owned shares in AS "Augstsprieguma tīkls" to the Ministry of Climate and Energy.
- The powers of AST's Shareholder Meeting are exercised by the Cabinet. The State Secretary

- of the Ministry of Climate and Energy or by another Ministry official designated by order of the State Secretary, who has all the rights, duties, and responsibilities of a shareholder's representative provided for in the laws and regulations, represents the interests of the shareholder at AST's Shareholder Meeting.
- Extraordinary and Ordinary AST's Shareholder Meetings are convened in accordance with the procedure set out in the Law on Governance of Capital Shares of a Public Person and Capital Companies. The initiators of the Shareholder Meeting indicate the reasons for convening the meeting and the agenda in the letter requesting the convening of AST's Shareholder Meeting and submit draft resolutions on the issues relevant to the agenda.
  - With the permission of the shareholder's representative, invited persons who are directly involved in the agenda item under discussion and who can additionally provide reasoned answers to the questions of the shareholder's representative may be invited to AST's Shareholder Meetings.
  - AST's Shareholder Meeting makes decisions within the scope of its competence
- established by the Law on Governance of Capital Shares of a Public Person and Capital Companies. The shareholders' representative, after considering each item on the agenda, announces their decision on the item under consideration. Minutes are taken at AST's Shareholder Meetings. Given that the entire voting share capital is represented at AST's Shareholder Meeting, it is deemed to be valid irrespective of the time, manner, and place of convening (Section 276 of the Commercial Law). Information on AST's Shareholder Meetings and resolutions adopted is published on AST's website in accordance with the information disclosure requirements established by law. <https://www.ast.lv/en/content/shareholder-and-shareholders-meeting>.
- To date, all AST's Shareholder Meetings have dealt with the items on the agenda within the scheduled time. However, if a situation arose where the items on the agenda could not be dealt with in the allocated time, a new Shareholders' Meeting would be convened to ensure that the necessary items are dealt with. If necessary, the shareholder can participate in the meeting remotely.

## 16. THE COMPANY HAS ESTABLISHED A DIVIDEND POLICY AND DISCUSSED IT WITH SHAREHOLDERS

### CRITERIA:

- The company has developed and published an up-to-date dividend policy.
- The dividend policy has been discussed with shareholders during the shareholder meeting.

### FACTS:

- The medium-term operational strategy for 2021-2025 of Augstsprieguma tīkls Group, approved by AST's Supervisory Board on 12 December 2021, includes the Company's dividend policy.
- The Company's dividend policy was discussed at the Shareholder Meeting held on 9 August 2021.
- Under Section 22 of the Law on the Medium-Term Budget Framework for 2022, 2023, and 2024, AST is required to transfer a dividend payment to the state general budget revenue in 2022 (for the 2021 reporting year) equal to 50 per cent of the profit for the reporting year, however not less than EUR 29,143,118.
- Under the decision of AST's Shareholder Meeting of 29 April 2022, AST's profit for 2021 has been paid out as dividends in the amount of EUR 29,143,118, with the remaining profit of EUR 25,702,577 being allocated for increasing AST's share capital and to make the necessary investments, including for the purposes of the project for synchronization of the Continental European electricity grid.
- The Company's dividend policy is published on AST's website: <https://www.ast.lv/en/content/goal-and-strategy>.

---

## TRANSPARENCY OF COMPANY OPERATIONS

---

### 17. THE COMPANY REGULARLY AND TIMELY INFORMS SHAREHOLDERS AND OTHER STAKEHOLDERS ABOUT THE COMPANY'S BUSINESS, FINANCIAL PERFORMANCE, GOVERNANCE, AND OTHER RELEVANT ISSUES

#### CRITERIA:

- The company discloses complete, accurate, objective, up-to-date, and true information in a timely manner.
- The company discloses information to all shareholders concurrently and to the same extent.
- On its website, the company discloses information about its management, strategy or lines of business and publishes financial statements and other information in accordance with Annex 1.
- The company provides information in Latvian and in at least one other language that is understood by the majority of the company's foreign shareholders and other interested parties.

#### FACTS:

- The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).
- The sustainability report is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI) and independently audited.
- In 2022, AS "Augstsprieguma tīkls" was awarded the Platinum level in the Latvian Sustainability Index.
- In the TOP list of the 101 most valuable Latvian companies, AS "Augstsprieguma tīkls" ranked as the seventh most valuable company in Latvia.
- Augstsprieguma tīkls Group and its subsidiaries publish quarterly interim financial statements according to the published Financial calendar.