AUGSTSPRIEGUMA TĪKLS GROUP CONSOLIDATED
AND
AS "AUGSTSPRIEGUMA TĪKLS"

SUSTAINABILITY REPORT

2022

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PREFACE

Preface

GRI 2-22

2022 was full of challenges for the Augstsprieguma tīkls group (Group), as well as the rest of the progressive world: Russia's unprecedented invasion of Ukraine and the subsequent withdrawal from contact with Russia and the imposition of sanctions on it resulted in a series of complications in the everyday operations of the companies of the group, and forced the group to adjust its plans for the near future, given that cooperation with the aggressor state is impossible.

The two companies belonging to the group, i.e., the power transmission system operator AS ''Augstsprieguma tīkls'' (AST or parent company) and the unified natural gas transmission and storage operator ''Conexus Baltic Grid'' (Conexus or subsidiary), manage critical infrastructure: the life of every person living in Latvia depends on the work of these companies. The Russian invasion of Ukraine accelerated the process of moving towards the complete separation of the power transmission system from the grid managed by Russia and its synchronisation with Europe. Meanwhile, the natural gas system operator had to change its operations, towards a continuous two-way physical flow of natural gas in the Inčukalns underground gas storage, thus providing sufficient natural gas reserves for the winter. The group has completed the tasks it set for itself: shortly after the Russian invasion of Ukraine, AST, in cooperation with the other Baltic operators, developed a programme and a clear action plan on how to act in the event of an emergency power grid desynchronisation with the Russia electric power system and how the transmission systems of the Baltic countries will synchronise with the European power grid even if all the necessary preparations for ensuring safe and stable operation are not completed, while the gas transmission and storage systems were prepared for operating without natural gas extracted in Russia. Also, shortly after the invasion, the power transmission system operator of the Baltic states limited, and in May completely stopped, the importation of electric power from Russia and Belarus to the Baltic states.

In 2022, the main challenge for the energy sector was the increase in all energy prices due to concerns about their availability and sufficiency in the winter of 2022-2023. Both the gas and power prices increased several times over, which had a negative impact on the group's financial indicators, and the power transmission segment made a loss in 2022, as power for internal production consumption or to cover transmission losses had to be bought. Thanks to consistent cooperation with the Public Utilities Commission and other stakeholders, permission was received to use the accumulated overload fee revenue to cover the costs of transmission losses and to finish the year with positive indicators.

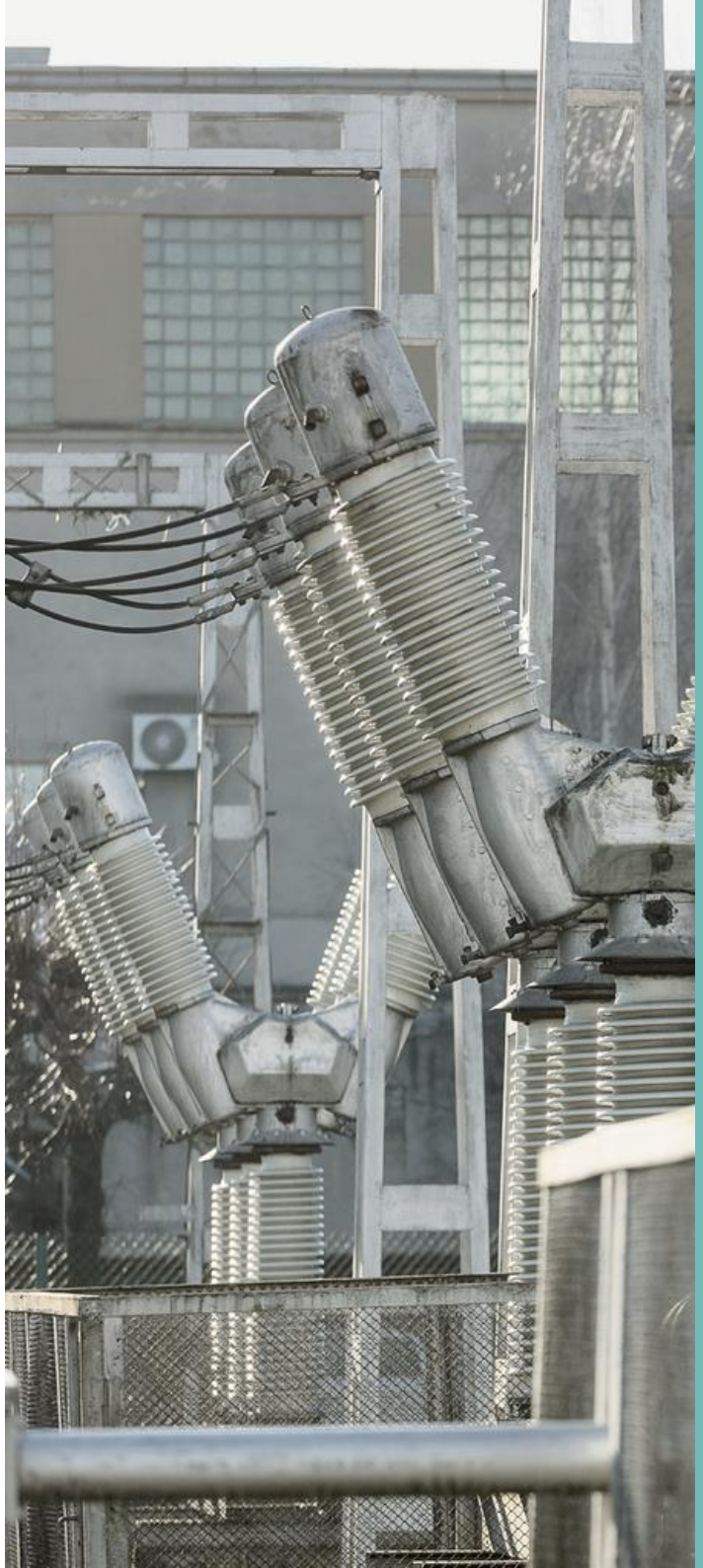
Despite the existence of the emergency plan and scenario for synchronising the Baltic power grids with Europe, intensive work also continued on the implementation of the project within the previously planned schedule, in order to prepare the transmission system to work in synchronous mode with Europe by the end of 2025, as part of implementing the strategy of achieving a climate-neutral, resilient, and innovative energy system. In the coming years, there will be a completely new challenge with the introduction of the ability to adjust the frequency, which is to involve new technologies that have not been used in the Baltics so far, including large-capacity batteries and synchronous compensators.

This work will also improve the ability of the transmission system to accept large amounts of renewable energy, which has undergone rapid growth in recent years, in the energy system of Latvia. The implementation of the planned connections of new power plants to the transmission network will facilitate the fulfilment of the Latvian and European commitments in achieving climate goals, as well as the achievement of the United Nations Sustainable Development Goals (SDGs) set in the group's mid-term operational strategy: to take urgent measures to combat climate change, to build sustainable infrastructure, to facilitate inclusive and sustainable industrialisation, and to promote innovation.

The group has implemented a sustainability management process that encourages sustainable decision-making by integrating the principles of sustainable growth in the group's internal processes and in cooperation with its partners, balancing the business development goals with the European Union's regulatory requirements and good practices in the field of sustainability. Working towards the goals set in the strategy, the parent company began work on the construction of a green, environmentally friendly substation in Carnikava. In 2022, a procurement was announced and a contract for the supply of the equipment was concluded, and the procurement for the construction began. Also in 2022, a study took place looking into ways of connecting offshore wind farms to the land power transmission network.

The process of digital transformation continued in the parent company, with the integration of digital technologies in all areas of business and operational processes, involving not just the digitisation of existing processes, but the rebuilding of the processes using the advantages of digital technologies, with the accumulation, analysis, and use of high-quality data in everyday processes and decision-making. Likewise, digital transformation involves a change in the company's internal culture, enabling experimentation, implementation of innovative solutions, readiness to challenge proven methods, and readiness to accept failure. Modern, flexible, and secure IT infrastructure, structured, accessible, correct, and up-to-date data, and modern governance based on a balanced culture of innovation are considered to be the cornerstones of digital transformation.

The year 2022 once again confirmed that the energy sector is full of challenges that can be overcome through teamwork. We would like to thank all of our employees, clients, and partners for their understanding and contribution!



GRI INDICATORS

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AS ''Augstsprieguma tīkls'' reports information about the Augstsprieguma tīkls group and AS ''Augstsprieguma tīkls'' for the reporting period between 1 January 2022 and 31 December 2022 in this table, in accordance with the Global Reporting Initiative (GRI) standard.

The report is prepared in accordance with GRI 1: Foundation 2021

GRI Sector standard applicable to the subsidiary: GRI 11 Oil and Gas

GRI general standards		
GRI indicator		**Report section**
Organisation profile		
2-1	Organization details	Information about the report
2-2	Entities included in the organization's sustainability reporting	Information about the report
2-3	Reporting period, frequency, and contact point	Information about the report
2-4	Restatements of information	Information about the report
2-5	External assurance	Information about the report
Activities and employees		
2-6	Activities, value chain, and other business relationships	Information about the group,
2-7	Employees	Employees and workers; Inclusive work culture and gender equality
2-8	Workers who are not employees	Employees and workers; Workers who are not employees of the company
Management		
2-9	Governance structure and composition	Governance structure; Shareholders and shareholder meeting; Supervisory Board; Board
2-10	Nomination and selection of the highest governance body	Nomination and selection of members of executive bodies; Supervisory Board; Board
2-11	Chair of the highest governance body	Supervisory Board; Board
2-12	Role of the highest governance body in overseeing the management of impacts	Governance structure; Supervisory Board; Board; Audit committee; Internal audit
2-13	Delegation of responsibilities for managing impacts	Supervisory Board; Board
2-14	Role of the highest governance body in sustainability reporting	Governance structure; Supervisory Board
2-15	Conflicts of interest	Conflicts of interest

2-16	Communication of critical concerns	Communication on important issues; Supervisory Board
2-17	Collective knowledge of the highest governance body	Supervisory Board
2-18	Evaluation of the performance of the highest governance body	Executive body performance assessment
2-19	Remuneration policies	Remuneration and principles for determining it
2-20	Process to determine remuneration	Remuneration and principles for determining it
2-21	Annual total compensation ratio	Remuneration and principles for determining it
Strategy, policy, and practice		
2-22	Statement on sustainable development strategy	Foreword
2-23	Policy commitments	Policy commitments
2-24	Embedding policy commitments	Implementation of policy commitments in practice
2-25	Processes to remediate negative impacts	Processes for mitigating/compensating negative impacts
2-26	Mechanisms for seeking advice and raising concerns	Mechanisms for asking questions and whistleblowing
2-27	Compliance with laws and regulations	Compliance with laws and regulations
2-28	Membership in associations	Activities in organisations
Involvement of stakeholders		
2-29	Approach to stakeholder engagement	Involvement of stakeholders
2-30	Collective bargaining agreements	Employees and workers; Collective agreements
Key areas of sustainability		
3-1	Process to determine material topics	Process of identifying key areas
3-2	List of material topics	List of key areas

GRI-specific standards

Aspect		GRI standard name		GRI indicator or AST-specific indicator, developed additionally, based on a set of key aspects		Report section
Environment	Sustainable energy solutions	3-3	Management approach			Environmental impact
		-	AST specific indicator	AST-1	Measures to promote the transition to a more sustainable energy sector	Sustainable energy solutions
	Climate impact and energy efficiency	3-3	Management approach			Energy use and its efficiency
		302	Energy	302-1	Energy consumption within the organisation	Energy use and its efficiency
				302-3	Energy intensity	Energy use and its efficiency
				302-4	Reduction in energy consumption	Energy use and its efficiency
		305	Emissions	305-1	Direct (Scope 1) GHG emissions	Climate impact and emissions
				305-2	Energy indirect (Scope 2) GHG emissions	Climate impact and emissions
				305-3	Other indirect (Scope 3) GHG emissions	Climate impact and emissions
				305-4	GHG emissions intensity	Climate impact and emissions
				305-5	Reduction of GHG emissions	Climate impact and emissions
	Responsible use of resources and waste management	3-3	Management approach			Responsible use of resources and waste management
		301	Materials	301-1	Materials used by weight or volume	Responsible use of resources and waste management
				301-2	Recycled input materials used	Responsible use of resources and waste management
		303	Water and Effluents	303-1	Interactions with water as a shared resource	Responsible use of resources and waste management
		306	Waste	306-1	Waste generation and significant waste-related impacts	Responsible use of resources and waste management
				306-2	Management of significant waste-related impacts	Responsible use of resources and waste management
				306-3	Waste generated	Responsible use of resources and waste management

				306-4	Waste diverted from disposal	Responsible use of resources and waste management
Social impact areas	Employee competence, growth, and skilled workforce of the future	3-3	Management approach			Employee competence, growth, and skilled workforce of the future
		404	Training and education	404-1	Average number of training hours per year per employee	Employee competence, growth, and skilled workforce of the future
				404-2	Programs for upgrading employee skills and transition assistance	Employee competence, growth, and skilled workforce of the future
				404-3	Percentage of employees receiving regular performance and career development reviews	Employee competence, growth, and skilled workforce of the future
	Health, safety, and well-being of employees	3-3	Management approach			Health, safety, and well-being of employees
		403	Occupational health and safety	403-1	Occupational health and safety management system	Health, safety, and well-being of employees
				403-2	Hazard identification, risk assessment, and incident investigation	Health, safety, and well-being of employees
				403-3	Occupational health services	Health, safety, and well-being of employees
				403-4	Worker participation, consultation, and communication on occupational health and safety	Health, safety, and well-being of employees
				403-5	Worker training on occupational health and safety	Health, safety, and well-being of employees
				403-6	Promotion of worker health	Health, safety, and well-being of employees
				403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health, safety, and well-being of employees
				403-8	Workers covered by an occupational health and safety management system	Health, safety, and well-being of employees
				403-9	Work-related injuries	Health, safety, and well-being of employees
		-	AST specific indicator	AST-2	Information about how the company implements and fosters the well-being of its employees	Health, safety, and well-being of employees

	Inclusive work culture and gender equality	3-3	Management approach			Inclusive work culture and gender equality
		405	Diversity and equal opportunities	405-1	Diversity of governance bodies and employees	Inclusive work culture and gender equality
Economic impact areas	Infrastructure security, sustainable management, and digitisation of processes	3-3	Management approach			Infrastructure security, sustainable management, and digitisation of processes
		416	Client security	416-1	Assessment of health and safety impact factors of product and service categories	Infrastructure security, sustainable management, and digitisation of processes
				416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Infrastructure security, sustainable management, and digitisation of processes
		-	AST specific indicator	AST-3	Performance in digitisation processes/activities, innovation projects	Infrastructure security, sustainable management, and digitisation of processes
	Sustainable procurement and selection of partners	3-3	Management approach			Sustainable procurement and selection of partners
		204	Procurement practices	204-1	Proportion of spending on local suppliers	Sustainable procurement and selection of partners
	Direct economic impact	3-3	Management approach			Direct economic impact
		201	Direct economic impact	201-1	Direct economic value generated and distributed	Direct economic impact
	Indirect economic impact	3-3	Management approach			Conexus challenge: transition to a more environmentally friendly energy sector
		203	Indirect economic impact	203-1	Infrastructure investments and services supported	Indirect economic impact
				203-2	Significant indirect economic impact	Indirect economic impact
	Effective and coordinated emergency management	3-3	Management approach			Effective and coordinated emergency management
		-	AST specific indicator	AST-4	Action report in emergencies	Effective and coordinated emergency management

	Fair and ethical governance, prevention of corruption	3-3	Management approach			Fair and ethical governance, prevention of corruption
		205	Combatting of corruption	205-1	Operations assessed for risks related to corruption	Fair and ethical governance, prevention of corruption
				205-2	Communication and training about anti-corruption policies and procedures	Fair and ethical governance, prevention of corruption
				205-3	Confirmed incidents of corruption and actions taken	Fair and ethical governance, prevention of corruption

INFORMATION ABOUT THE REPORT

Information about the report

GRI 2-1, 2-2, 2-3, 2-4, 2-5,

The main business of the Augstsprieguma tīkls group is that of a power transmission system operator, with the efficient management of power supply system assets, and the transmission and storage of natural gas.

As of 31 December 2022, the structure of the Augstsprieguma tīkls group consisted of a set of companies in which the parent company, AS ''Augstsprieguma tīkls'', had a decisive influence. These include the subsidiary, AS ''Conexus Baltic Grid''.

The ownership of the parent company in the subsidiary is 68.46%. All shares of AS ''Augstsprieguma tīkls'' are owned by the Republic of Latvia. 29.06% of Conexus shares belong to MM Infrastructure Investments Europe Limited, a fund of the Japanese company Marubeni, and 2.48%, to other shareholders.

This is the consolidated sustainability report for the Augstsprieguma tīkls group, which, like the Augstsprieguma tīkls group consolidated financial statement, covers the parent company and the companies, in which the parent company has a decisive (more than 50%) influence. Based on these principles, the consolidated sustainability report, and the financial statement, covers AS ''Augstsprieguma tīkls'' and its subsidiary AS ''Conexus Baltic Grid''.

In preparing the sustainability report for 2022, the group relied on its understanding of material aspects of sustainability and on the assessment of stakeholders, which was carried out through surveys of stakeholders and detailed interviews. Detailed information about determining the material aspects of sustainability is available in the chapter Process of identifying key areas. AST has no information that this opinion conflicts with the opinions of the minority shareholders of the subsidiary. Detailed information about the sustainability aspects of the subsidiary is available in the separate sustainability report for Conexus (link: https://www.conexus.lv/financial-statements).

In accordance with the financial statement of the Augstsprieguma tīkls group, the reporting period of the consolidated sustainability report matches the financial year, i.e., from 1 January 2022 to 31 December 2022. The consolidated sustainability report is prepared once a year and published on the last business day in April each year. The report for 2022 was published on 28 April 2023 on the website of the group, at https://www.ast.lv/lv/content/ilgtspejas-parskati

Suggestions and questions about the sustainability report can be sent to: ast@ast.lv

Changes have been made to the indicators of the Scope 3 of greenhouse gas emissions of the previous period, as well as to the indicators of previous periods for consumption of electricity for own needs. Changes have been made following improvements in the data collection and calculation methodology.

A limited assurance statement on the 2022 sustainability report was provided by SIA PricewaterhouseCoopers, which is also the auditor of the 2022 financial statement of AS 'Augstsprieguma tīkls', and the auditor of the subsidiary.

The auditor statement is available on page 135 of this report.

INFORMATION ABOUT THE GROUP

INFORMATION ABOUT THE GROUP

GRI 2-6

The main business of the group is split into 3 segments: power transmission, natural gas transmission, and natural gas storage. This division is based on the internal organisational structure of the group, which forms the basis for monitoring and controlling performance in the segments.

To promote the sustainable economic growth, Latvia and the European Union prioritise reducing environmental impact, limiting climate and environmental changes, as well as digitisation. These priorities follow the 2019 European Commission (EC) Communication on the European Green Deal. The Green Deal has a strong focus on the use of renewable energy and progress towards achieving climate neutrality by 2050.

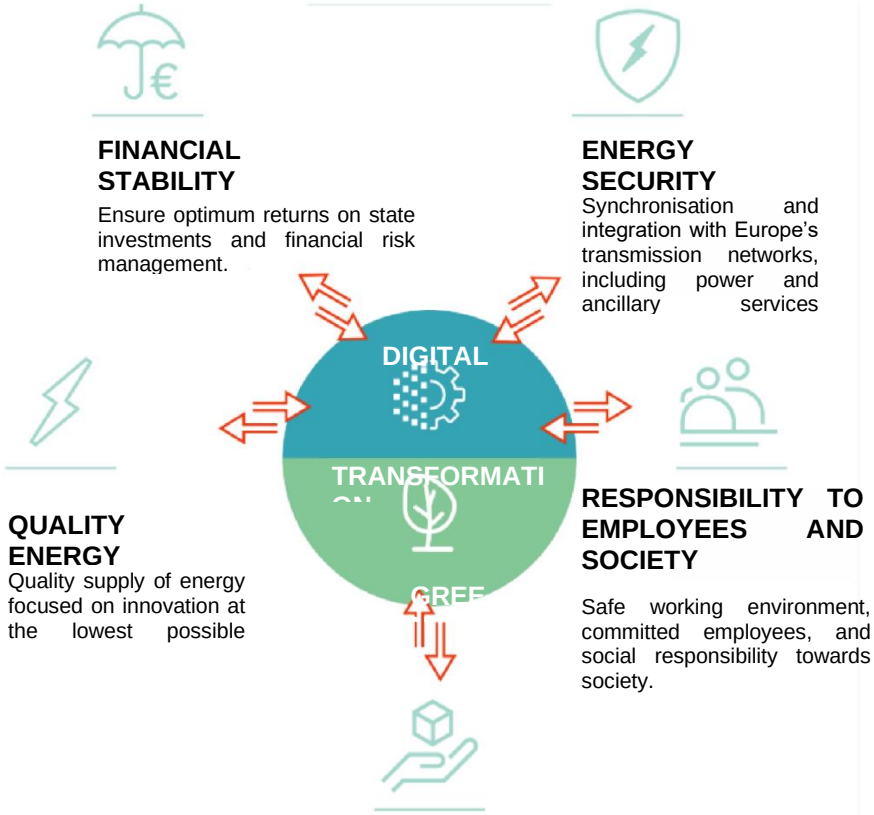
In 2021, the 2021-2025 mid-term operating strategy of the Augstsprieguma tīkls group (Strategy) was developed and approved based on the group's vision, defining the strategic direction of the group, and setting the financial and non-financial goals of the parent company and Conexus for the next 5 years. The goals set, the projects already initiated, and the fields of action also outline the future goals: the progress towards a climate-neutral economy as part of the European Green Deal, and the achievement of the goals set in the Latvian National Energy and Climate Plan for 2021-2030.

The overall strategic goal of the Augstsprieguma tīkls group is to ensure the reliability of energy supply in Latvia, to provide a continuous, high-quality, and affordable energy supply transmission service, and to implement the sustainable management of energy supply assets strategically important to the country, and to promote their integration into the internal energy market of the European Union.

The main strategic focus of the Augstsprieguma tīkls group is aimed at:

- FINANCIAL STABILITY — ensuring optimum returns on state investments and financial risk management
- ENERGY SECURITY — synchronisation and integration with Europe's transmission networks, including power and ancillary services markets
- QUALITY ENERGY SUPPLY — quality supply of energy focused on innovation at the lowest possible prices
- SOCIAL RESPONSIBILITY — safe working environment, committed employees, and social responsibility towards the society
- SUSTAINABLE AND EFFICIENT MANAGEMENT — continuous improvement of efficiency,

Modern and transparent governance



HIGH PRIORITY GOALS

ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

- Continuous provision of high-quality and affordable energy supply services
- Sustainable management of energy supply assets
- Promotion of development in the electricity market

BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE, AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

- Maintenance and renovation of the power transmission network, creation of the most efficient network structure
- Digitisation of the transmission network that promotes energy efficiency and reduction of costs
- Involvement in international projects with the aim of developing future technologies
- Synchronisation with the transmission networks of continental Europe

TAKE URGENT ACTION TO FIGHT CLIMATE CHANGE AND ITS IMPACT

- Reduction of the impact of energy supply assets on the environment
- Development of the energy supply system, adapting it to the needs of climate-neutral energy producers
- Reduction of energy losses

MEDIUM PRIORITIES

We strive to reduce the negative impact of the energy supply system on biodiversity, landscape, and land use. We follow environmentally friendly practices.

We encourage responsible and sustainable business practices.

We believe that inclusive culture and gender equality spur innovation and growth.

We ensure sustainable consumption and practices in our operations and strive to be an example to others. In our development projects, we mainly use existing power line rights-of-way.

We recycle almost 100% of our waste.

We accumulate our competence and share experience with transmission system operators all over the world; we engage in research and development.

Aware of its role in and contribution to sustainable growth, the group aligns itself, in its operations, with the processes, products, and services that contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). Three high-priority SDGs and five medium-priority SDGs were set as priorities and as significant to the main business of AST. Through its corporate social responsibility (CSR) activities, AST also contributes to the achievement of other SDGs.

Geographically, the group operates in Latvia. The registered address of the Augstsprieguma tīkls group is in Riga, at Dārzciema street 86, LV-1073, the units of the companies of the group are also located elsewhere in Riga and across Latvia.

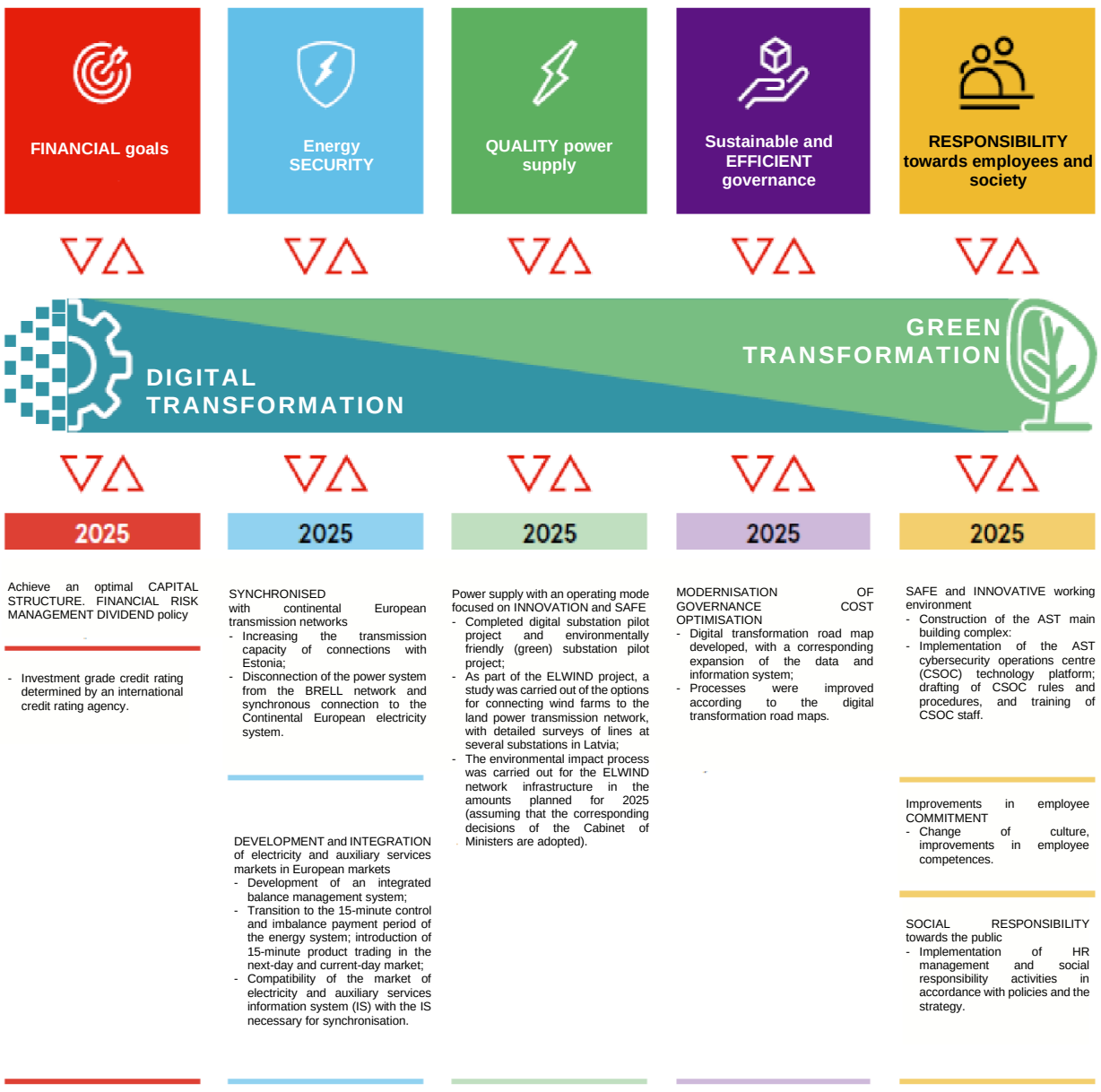
The parent company

The parent company operates in Latvia, while the clients of the subsidiary as the owner of the natural gas transmission and storage system are from several countries of the Baltic Sea region — Finland, Estonia, Latvia, Lithuania, and Poland — and other European countries: Norway, the Czech Republic, and Switzerland.

The overall goals of the parent company are defined as follows:

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

The activities of the parent company belong to one main business segment: **power transmission**. Below is information about the strategic goals and sustainability aspects of the parent company, and about the business environment and financial results of the segment.


FINANCIAL goals
Energy SECURITY
QUALITY power supply
Sustainable and EFFICIENT governance
RESPONSIBILITY towards employees and society
DIGITAL TRANSFORMATION
GREEN TRANSFORMATION
2025
2025
2025
2025
2025
Achieve an optimal CAPITAL STRUCTURE. FINANCIAL RISK MANAGEMENT DIVIDEND policy
- Investment grade credit rating determined by an international credit rating agency.
SYNCHRONISED with continental European transmission networks
- Increasing the transmission capacity of connections with Estonia;
- Disconnection of the power system from the BRELL network and synchronous connection to the Continental European electricity system.
DEVELOPMENT and INTEGRATION of electricity and auxiliary services markets in European markets
- Development of an integrated balance management system;
- Transition to the 15-minute control and imbalance payment period of the energy system; introduction of 15-minute product trading in the next-day and current-day market;
- Compatibility of the market of electricity and auxiliary services information system (IS) with the IS necessary for synchronisation.
Power supply with an operating mode focused on INNOVATION and SAFE
- Completed digital substation pilot project and environmentally friendly (green) substation pilot project;
- As part of the ELWIND project, a study was carried out of the options for connecting wind farms to the land power transmission network, with detailed surveys of lines at several substations in Latvia;
- The environmental impact process was carried out for the ELWIND network infrastructure in the amounts planned for 2025 (assuming that the corresponding decisions of the Cabinet of Ministers are adopted).
MODERNISATION OF GOVERNANCE COST OPTIMISATION
- Digital transformation road map developed, with a corresponding expansion of the data and information system;
- Processes were improved according to the digital transformation road maps.
SAFE and INNOVATIVE working environment
- Construction of the AST main building complex:
- Implementation of the AST cybersecurity operations centre (CSOC) technology platform; drafting of CSOC rules and procedures, and training of CSOC staff.
Improvements in employee COMMITMENT
- Change of culture, improvements in employee competences.
SOCIAL RESPONSIBILITY towards the public
- Implementation of HR management and social responsibility activities in accordance with policies and the strategy.

The parent company, as Latvia's only power transmission system operator (TSO), provides a continuous and high-quality power transmission service; it engages in sustainable and efficient management and development of energy supply assets, and fosters integration into the internal market of the European Union.

AST must ensure:

- safety and stability of power supply;
- development of the transmission network and secure connectivity with other power supply systems;

- management and supervision of the flow of power in the transmission system;
- operational management and supervision of the power generation facilities connected to the transmission system;
- non-discriminatory conditions for the use of the transmission system by all users of the transmission system.

The parent company provides the following key services:

- power transmission services, including the transmission of power, and the maintenance and development of capacity. There is no competition in the provision of these services, as there is only one power transmission system operator in Latvia. The company's activities are aimed at providing high-quality power transmission services at the lowest possible price.
- Connections to the power transmission system: within the area and the duration of its licence, the system operator has an ongoing obligation to provide the participants of the system with the necessary connection to the transmission system or with changes in the permitted power loads at the existing connections, in accordance with the rules for the connection of system participants issued by the Public Utilities Commission (PUC or 'regulator'), and for the connection fee set by the transmission system operator in accordance with the methodology for calculating the connection fee determined by PUC, provided that the system participant meets the technical requirements set by the transmission system operator.
- Electric power market participants are provided with:
  - balancing services;
  - regulatory services;
  - energy identification codes;
  - access to power accounting data;
  - certificates on the origin of the electric power.

The group uses the infrastructure it owns to provide the service, and to maintain and improve the infrastructure, the companies of the group sign supply, construction, and service contracts. In 2022, 100% of the construction contracts with the group's companies were concluded with companies registered in Latvia (no change compared to 2021; the share of local suppliers registered in Latvia in service contracts was 91% (90%, in 2021), while of all the supply contracts 87% were delivered by companies registered in Latvia (92% in 2021). In 2022, AST concluded an agreement for the provision of power transmission service with the sole designated power market (power exchange) operator in Latvia, AS Nord Pool, to purchase electric power to cover the power consumed for its own production processes (transmission losses).

In 2022, AS 'Augstsprieguma tīkls', together with the operators of the power transmission systems of Estonia and Lithuania, established a regional coordination centre for the power systems of the Baltic states: Baltic RCC OÜ ('associated company' or 'Baltic RCC'), registered in Estonia. The governance

of the regional coordination centre takes place following the principle of equality of all three Baltic states: each operator owns the same number of shares in the new entity (AS 'Augstsprieguma tīkls' owns 33.33%). The need for the transmission system operators to establish regional coordination centres is determined by the regulations included in the Clean Energy Package of the European Union. The main task of the Baltic RCC is to coordinate the power system development planning, and to coordinate the daily activities of individual operators, to guarantee the reliability of power supply.

In 2022, 4 794 gigavat-hours (GWh) of electric power was produced in Latvia, 14.5% less than a year prior, when 5 610 GWh was produced, while Latvia's total power consumption decreased from 7 382 GWh in 2021 to 7 106 GWh, a 3.7% reduction. The parent company provided power transmission services to users in Latvia in the amount of 6 193 GWh, which is 1.9% less than in 2021, when the Parent Company transmitted 6 312 GWh to users in Latvia. The revenue from transmission services was EUR 75.2 million in 2022 and EUR 76.1 million in 2021. This insignificant decrease of 1% is related to the 1% fall in power consumption, and a decrease in the capacity installed for users. In 2022, due to the continued increase in the price of power, and concerns about the sufficiency of energy resources, based on the reaction caused by the Russian invasion of Ukraine, users revised their power consumption habits. A detailed 2022 review of the power market is available on the parent company's website: https://www.ast.lv/lv/power-market-review?year=2022&month=13.

The subsidiary company

The subsidiary is a unified Latvian natural gas transmission and storage operator that manages one of the most modern natural gas storage facilities in Europe, the Inčukalns Underground Storage Facility ('Inčukalns UGS' or 'storage facility'), and the main natural gas transmission line system, which directly connects Latvia's natural gas market with Lithuania and Estonia.

The clients of the subsidiary, i.e., users of the natural gas transmission and storage system, are local private companies and state-owned and international companies representing various business sectors: natural gas wholesale and retail trade, energy producers, heating system operators, and manufacturing companies.

The subsidiary company's natural gas transmission and storage services are supervised by the Public Utilities Commission (PUC or 'regulator').

The subsidiary works on the sustainability and security of the infrastructure and the high quality of services, which spurs market growth and generates economic value for the client and the society.

The subsidiary is a socially responsible company that, by creating added economic value, enables the growth of the entire industry, the growth and sustainable employment of its employees, while ensuring a minimal impact of the production processes on the environment.

Russia's invasion of Ukraine completely changed the European natural gas industry, Latvia included, which banned the import of Russian natural gas for national needs, effective from 1 January 2023. These conditions created new challenges for natural gas imports and business processes, with the supply security becoming a key dimension for the natural gas industry at the national and the regional level.

Considering the significant upheavals in the natural gas sector, the subsidiary renewed its strategic focuses and priorities in 2022. Its mid-term operational strategy for 2023–2027 sets strategic goals, priorities, and a set of measures for achieving these goals, enabling sustainable growth. The subsidiary's strategic framework consists of the company's values, mission, vision, and strategic goals. To determine its future priorities and strategic focuses, it is important for the company to define its motivation and future ambitions, while respecting the principles of sustainability and the existing regulatory framework. The subsidiary's values, mission, and vision represent the moral compass for the Company's strategic goals that will be achieved through strategic initiatives.

Vision — Sustainable gas transmission and storage operator in a regionally integrated energy market.

Mission — Provide reliable operation of gas transmission and storage service, promoting the decarbonisation of the energy sector and development of the market.

Values

Safety and security	It is important to us that the transmission and storage of gas are secure and reliable.
Competence	We value our employees' competence, knowledge, professional experience, and focus on growth.
Collaboration	We support each other when making decisions, we listen and we look for collective solutions internally and with our clients, with our current and future partners.

GROUP GOVERNANCE AND STRUCTURE

GROUP GOVERNANCE AND STRUCTURE

GRI 2-9; 2-10, 2-11, 2-12, 2-13, 2-14, 2-17, 2-18, 2-20, 2-21

Governance structure

GRI 2-9

The Augstsprieguma tīkls group corporate governance model is designed in accordance with good governance practices, applicable law, and corporate governance guidelines.

The governance of the parent company is performed by the meeting of shareholders, the Supervisory Board and The Board, based on the Company's articles of association, the regulations of the Supervisory Board and The Board, the mid-term operating strategy, the Commercial Law, the Law on Governance of Capital Shares of a Public Person and Capital Companies, and other laws of the Republic of Latvia.

The Board of the parent company approves the mid-term strategy of the group, setting the priority goals and the sustainability goals appropriate to the group's business. The Supervisory Board examines and submits for approval to the shareholder meeting separate and consolidated annual accounts of the group, which, in accordance with the requirements of the Financial Instrument Market Law, includes a non-financial statement, which covers, among other things, information about the impact of the company's business on the environment, social and employee-related aspects, respect for human rights, and prevention of corruption and bribery measures. For detailed information, see the Supervisory Board section.

The corporate governance policy of the Augstsprieguma tīkls group was developed considering the laws and regulations of the Republic of Latvia, the principles of the Latvian Corporate Governance Code, the recommendations of the European Union and the Organisation for Economic Cooperation and Development for the corporate governance of companies, and as a result of reviewing and summarising the corporate governance practices used by AS ''Augstsprieguma tīkls''.

In accordance with the requirements of the Financial Instrument Market Law and the principles and recommendations contained in the Corporate Governance Code developed by the Advisory Council of the Ministry of Justice of the Republic of Latvia, AS ''Augstsprieguma tīkls'' has prepared a corporate governance report for 2022. This report is available on the Augstsprieguma tīkls website, at https://www.ast.lv/en/content/model-corporate-governance, and on the Nasdaq Baltic website.

Ethics and compliance

The Augstsprieguma tīkls group upholds high principles of professional ethics, ensures operational compliance with the requirements of laws and regulations, and refrains from restrictive, corrupt, or discriminatory transactions. To prevent corrupt or fraudulent activities, the company's employees are regularly briefed on ethics and compliance rules, with continuous improvements in the internal regulations of the group. The group also encourages its contractual partners to observe equivalent ethical principles and, when concluding contracts, requests them to acknowledge that the partnership is based on fair business cooperation principles.

The code of ethics and principles for working with contractual partners are published on the parent company's website: https://www.ast.lv/en/content/responsible-business.

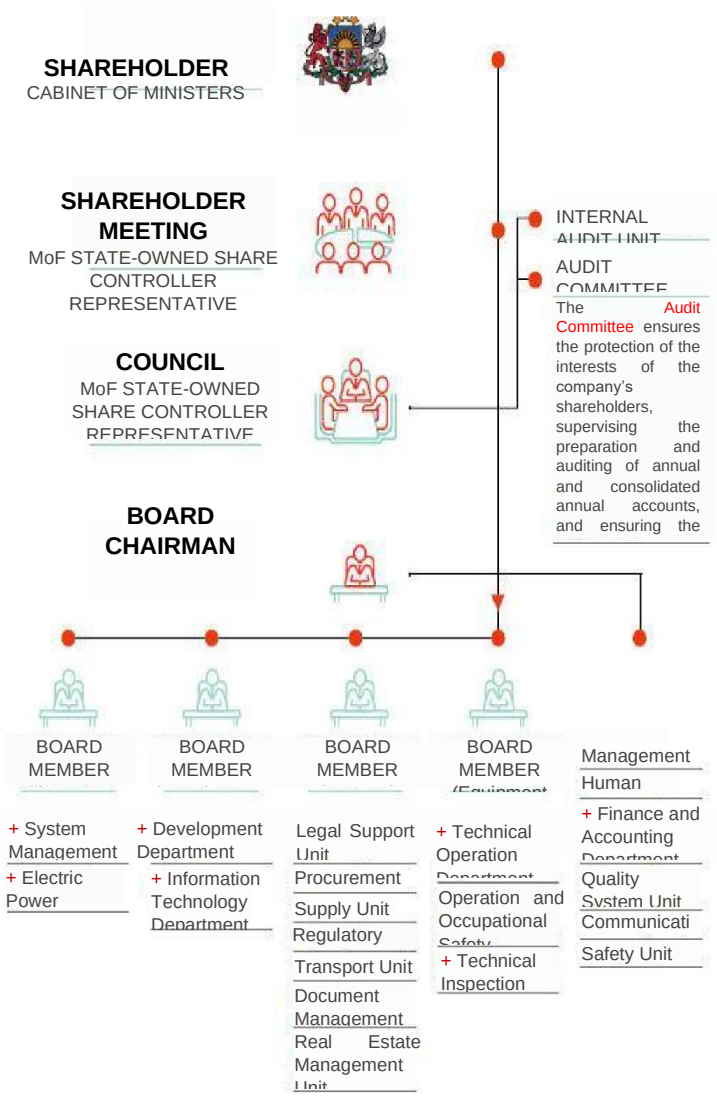
Roles, duties, and responsibilities

The roles, duties, and responsibilities of the executive bodies are defined in the laws and regulations of the Republic of Latvia, as well as in the internal regulatory documents of the group. The main ones are the articles of association and the regulations of the executive bodies, published on the parent company's website.

Openness and transparency

The Augstsprieguma tīkls group publishes financial and non-financial information on the Augstsprieguma tīkls website and on the Nasdaq Baltic website. Once a year, the group publishes sustainability reports, annual accounts, corporate governance reports, and, once a quarter, inter-period financial reports of the group and AS Augstsprieguma tīkls. The subsidiary's sustainability and annual accounts, as well as inter-period financial indicators, are available on the subsidiary's website.

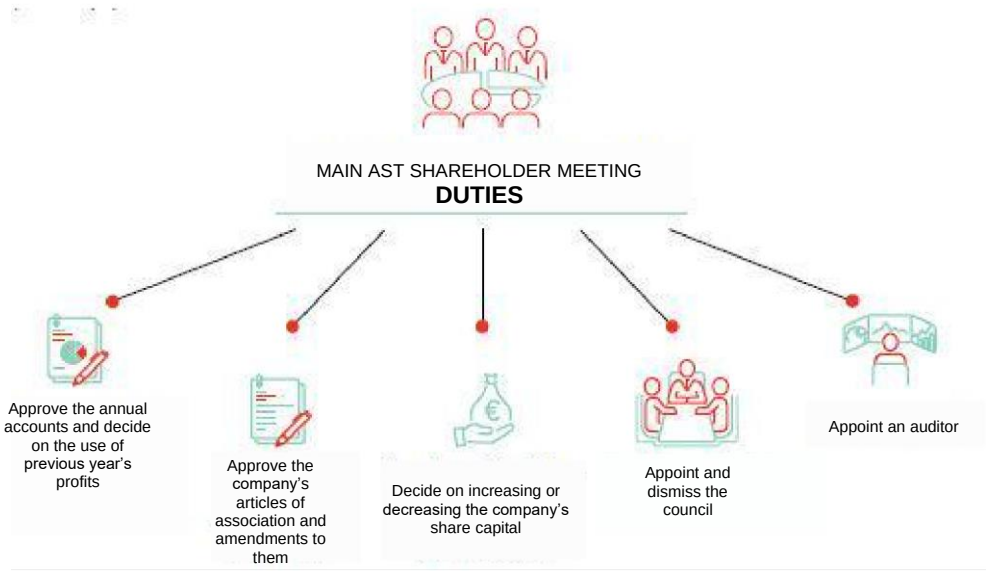
AST is creating a transparent organisational structure that is appropriate for the indicators describing the size of AST, for its strategic development, and for the effective management of operational risks.



Shareholder and shareholder meeting

2-9

100% of the shares of AST belong to the state, and their controller was the Ministry of Finance of the Republic of Latvia, and since 14 February 2023, it has been the Ministry of Climate and Energy. Transfer of control over the state-owned shares to the newly created sector ministry will not have a significant impact on the governance of AST, as the competence of the AST shareholder is that of the Cabinet of Ministers. In addition to the shareholder meeting, the Board and the Supervisory Board, the shareholder effects the governance of AST within the scope of its competence established by the Law on Governance of Capital Shares of a Public Person and Capital Companies. The decisions that are within the competence of the AST shareholder meeting are taken by a representative of the controller of the state-owned shares.



4 shareholder meetings were held in 2022, with several important decisions made related to the approval of the Augstsprieguma tīkls group consolidated and AST 2021 annual accounts, the use of 2021 profits, the completion of the AST 2021 operating plan and goals, the appointment of an auditor for the audit of the 2022 annual accounts, consolidated statement, and sustainability report of AST, the increase in the share capital of AST and amendments to its articles of association, the changes in the composition of the AST Supervisory Board, the appointment of members of the AST Audit Committee, the establishment of the Baltic Regional Coordination Centre.

Supervisory Board

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-16, 2-17

The AST Supervisory Board represents the shareholder's interests between shareholder meetings, supervises the activities of the AST Board, and is involved in the strategic development of AST and in monitoring its financial and risk management system. The working principles of the AST Supervisory

Board and its main duties are determined in the articles of association and in the regulations of the Supervisory Board. The tasks and responsibilities of the AST Supervisory Board are governed by applicable laws and regulations.

Main duties of the AST Supervisory Board:

- elect and dismiss The Board;
- approve the mid-term operational strategy, monitor its implementation;
- determine the company's strategic direction, its goals and policies;
- review the annual accounts and submit them to the shareholder meeting for approval;
- monitor the effectiveness of the internal control and risk management system.

The number of members of the AST Supervisory Board is determined by the Cabinet of Ministers based on the indicators describing the size of AST. The term of office of the members of the AST Supervisory Board is determined by the applicable laws and regulations.

The AST Supervisory Board performs its official duties in good faith and is unbiased in making decisions, complying with laws and regulations, and its actions and behaviour meet high professional behaviour and ethics standards.

In accordance with the regulations of the Supervisory Board, the AST Supervisory Board approves the mid-term operational strategy of the group ('strategy') and monitors its implementation. The AST Supervisory Board was actively involved in the development of the group's mid-term activities for 2021-2025, defining digital and green transformation as the cornerstones of the group's development, putting forward the sustainable growth goals (SDG) of the United Nations (UN) that are appropriate to the group's main business.

During the reporting period, the Supervisory Board actively monitored the implementation of the goals set in the mid-term operational strategy of the group for 2021-2025.

To ensure the successful achievement of the goals set in the strategy, a work plan and goals for the following year are approved by the Supervisory Board every year, and the achievement of these goals is the responsibility of the AST Board. The completion of the work plan and the achievement of the goals is assessed once a year simultaneously with the approval of the annual accounts. To supervise AST's activities, in accordance with the regulations of the AST's Board, a quarterly report is submitted to the Supervisory Board, covering the results of the financial activities and the progress towards meeting the goals. Once a month, the AST Board informs the Supervisory Board about the most important events.

According to the Commercial Law, the AST Board is responsible for managing the impact aspects of AST. The AST Supervisory Board approved the regulations of the AST Board, which determine the operating procedure and principles of the AST Board.

In 2022, several seminars on sustainability were organised, which representatives of the company's executive bodies could participate in; detailed information about sustainability was provided to the executive bodies when related issues were considered on the agenda of their meetings.

In 2022, the AST Supervisory Board chairman Kaspars Āboliņš participated in the forum Ambitions. Growth. Sustainability, in the panel discussion 'Ambitions of Latvian companies in attracting capital' organised by the Latvian Financial and Capital Market Commission. During the reporting period, members of the AST Supervisory Board continued their work, including the chairman of the Supervisory Board Kaspars Āboliņš, deputy chairman Olga Bogdanova, Supervisory Board members Armands Eberhards and Aigars Ģērmanis. The term of office of the Supervisory Board members is 30 December 2024. Meanwhile, Supervisory Board member Madara Melne submitted her notice and left her position in the AST Supervisory Board on 26 January 2022 (the last day of her term of office).

KASPARS ĀBOLIŅŠ

Council chairman

Work experience

2019-Present	AS Augstsprieguma tīkls, Supervisory Board chairman
2018-2020	AS Conexus Baltic Grid, council chairman
2016-2018	Ziemeļu Investīciju banka, board chairman (rotating)
2015-Present	AS Air Baltic Corporation, council member
2014	AS Attīstības finanšu institūcija, head of restructuring
2013-2015	AS Reverta, council member
2012	VAS Valsts nekustamie īpašumi, board chairman
2011-2019	Ziemeļu Investīciju banka, board member
2008-2010	AS Parex banka, council member
2008-2011	Ziemeļu Investīciju banka, deputy board member
2006-Present	State Treasury, supervisor
2003-2010	SIA BO Ziemeļvidzemes atkritumu apsaimniekošanas organizācija, council member
2001-2006	Ministry of Finance of the Republic of Latvia, supervisor of the financial stabilisation of Ugāle Parish
2000-2002	Ministry of Finance of the Republic of Latvia, chairman of the Municipal Borrowing and Guarantee Supervision Council
1997-2000	Ministry of Finance of the Republic of Latvia, member of the Municipal Borrowing and Guarantee Supervision Council
1999-2001	Ministry of Finance of the Republic of Latvia, head of the Municipal Financial Stabilisation Project Coordination and Supervision Council
1997-2006	State Treasury, head of the Financial Risk Management Department
1996-1997	Ministry of Finance of the Republic of Latvia, head of the Debt Forecasting and Analysis Division of the External Debt Management Department

1994-1996	Ministry of Finance of the Republic of Latvia, senior expert of the Debt Forecasting and Analysis Division of the External Debt Management Department

Education

1996-1999	University of Latvia, Faculty of Economics and Management, master degree of social sciences in public management
1992-1996	University of Latvia, Faculty of Management and Economic Informatics, bachelor in business management
1981-1992	Secondary education at Riga Secondary School No. 58

In office until: 30.12.2024

DR. OEC. OLGA BOGDANOVA

Deputy council chairwoman

Work experience

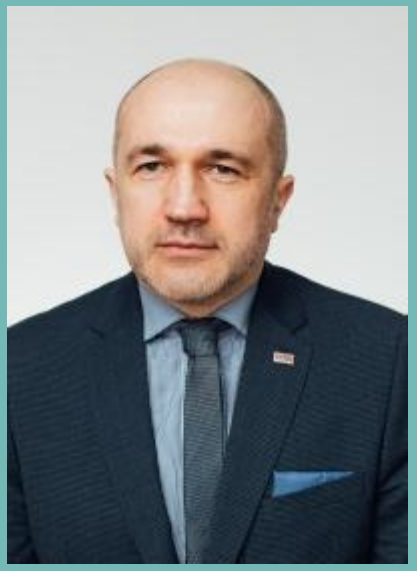
2019-Present	AS Augstsprieguma tīkls, deputy Supervisory Board chairwoman
2016-2019	AS Augstsprieguma tīkls, council member
2023-Present	President of the Latvian National Committee of the World Energy Council
2018-Present	Ministry of Finance of the Republic of Latvia, head of the Tax Administration and Public Interest Policy Department
2018-Present	World Energy Council, expert, participant of the Future Energy Leadership Project
2021-Present	World Energy Council in Latvia, chairwoman of the management team of the Future Energy Leader Programme
2017-Present	Latvian Council of Science, expert
2021-Present	University of Latvia, Faculty of Business, Management, and Economics, associate professor
2016-2018	Ministry of Economics of the Republic of Latvia, head of the Energy Market and Infrastructure Department
2016-2022	Riga Technical University, International Business and Customs Institute, Faculty of Engineering Economics and Management, docent
2016	Ministry of Economics of the Republic of Latvia, acting deputy state secretary for 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 Division
2013-2014	Ministry of Economics of the Republic of Latvia, head of the Energy Market and Infrastructure Division
2010-2013	Ministry of Economics of the Republic of Latvia, senior official of the EU Goods and Services Market Division of the Internal Market Department (reorganised deputy head of department position with the duties of a deputy head of department)

2006-2010	Ministry of Economics of the Republic of Latvia, deputy head of the EU Goods and Services Market Division of the Internal Market Department
2006	Ministry of Economics of the Republic of Latvia, senior official of the EU Goods and Services Market Division of the Internal Market Department
2005	Ministry of Economics of the Republic of Latvia, senior official of the EU Affairs Division, International Economic Relations Department
2005-2014	Riga Technical University, International Business and Customs Institute, Faculty of Engineering Economics and Management, guest lecturer

Education

2007-2012	Riga Technical University, International Business and Customs Institute, Faculty of Engineering Economics and Management, doctoral degree in economics
2003-2006	Riga Technical University, master degree of social sciences in management and management of international economic relations (honours degree)
2004-2005	Pforzheim University, Germany, International Management Programme, lifelong education diploma
2003-2006	Riga Technical University, Institute of Humanities in Riga, advanced studies with a specialisation in the teaching of engineering subjects
	Riga Technical University, bachelor degree of social sciences in management and management of international economic relations (honours degree)

In office until: 30.12.2024.



ARMANDS EBERHARDS

Council member

Work experience

2019-Present	AS Augstsprieguma tīkls, Supervisory Board member
2023-Present	European Investment Fund (EIB group) (Luxembourg), director on the board of directors
2019-2023	European Investment Fund (EIB group) (Luxembourg), alternate director on the board of directors
2011-Present	Ministry of Finance, deputy state secretary for ESSFKF affairs
2014-Present	European Investment Bank (Luxembourg), director/board member
2018	OECD/SIGMA (Montenegro), consultant
2011-2012	AS Hipotēku un zemes banka, deputy council chairman
2004-2011	Central Finance and Contracting 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 Contracts 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 Division

Education

2005-2006	London School of Economics and Political Science (LSE) (Great Britain), MSc Politics of the World Eco (Merit)
1998-1999	EHSAL Management School (Belgium), international MBA (Cum Laude)
1993-1994	University of Latvia, master of science degree in environmental science and management
1990-1994	University of Latvia, bachelor of environmental sciences

In office until: 30.12.2024.

AIGARS ĢĒRMANIS

Council member

Work experience

2019-Present	AS Augstsprieguma tīkls, Supervisory Board member
2022-Present	Ronald McDonald House of Charities foundation council member
2021-Present	Deputy board chairman of SIA Rīgas meži
2010-Present	SIA DPMC Baltic, board chairman
2018-2019	IMMER GROUP (Ukraine), head of development
2016-2022	Ronald McDonald House of Charities foundation council chairman
2014-2018	AMBER BEVERAGE GROUP, board member, commercial director
2009-2013	SANITEX GROUP (Latvia/Estonia), board chairman
2004-2009	PROCTER & GAMBLE Marketing Latvia (in charge of the Baltic market), board chairman

Education

1998. – 2000.	University of Latvia, master degree in business management
1993. – 1997.	University of Latvia, bachelor degree in business management

In office until: 30.12.2024

MADARA MELNE

Council member

Work experience

2021. - 2022.	AS Augstsprieguma tīkls, Audit Committee member
2019 – 2022.	AS Augstsprieguma tīkl', Supervisory Board member
2014 – Present	SIA CatchSmart, strategic director
2012 – 2014	Fridberg Nordic Timber Ltd, executive director
2009 – šobrīd	SIA Baltic Transport Lines, executive director
2008 – 2009	Riga Wood France Ltd (France), assistant sales manager
2007 – 2009	AS Latvijas Finieris, assistant sales manager

Education

2006 – 2010	University of Latvia, professional bachelor degree in economics, with qualifications as the head of an external relations unit
2007	ESC Troyes – Champagne School of Management (France), bachelor of business administration (BBA), international business

In office until: 26.01.2022.

In 2022, 18 AST Supervisory Board meetings took place, considering 140 matters on the agenda, with 60 AST Supervisory Board decisions made.

In fulfilling the tasks of the Supervisory Board set in the Law on Governance of Capital Shares of a Public Person and Capital Companies, the AST Supervisory Board also participated in reviewing several other important issues, including:

- assessment of the AST financial management plan for 2023-2032, and the plans for capital investment in transmission system assets and procurement plans for 2023; the Supervisory Board monitored the implementation of AST's mid-term operational strategy;
- assessment of the preliminary power transmission system service fees prepared by the AST Board;
- monitoring of the progress of the implementation of the transmission system assets included in the AST capital investment plan, and the progress of digital transformation at AST;
- review of the reports prepared by the AST Audit Committee;
- assessment of AST's preparedness for managing emergency and crisis situations, the effectiveness of the AST internal control system, the management of risks by AST, and the management of risks of fraud, corruption, and conflicts of interest, with regular reviews of internal audit reports on the results of the implementation of audit recommendations;
- approval of the new version of the AST corporate governance policy, and revision of other policies relevant to the operation of AST;
- setting of individual work performance indicators for the AST Board members in 2022;
- provision of support for donations for the restoration of the Ukrainian energy system and support for the Ukrainian public;
- instructions for the AST Board to take measures for the optimisation of operating costs of the company and improving its efficiency;
- decision to start the nomination process for a vacant AST Board member position, and establishment of a nomination commission;
- commissioning of an assessment of the impact of geopolitical processes on the financial statements of AST and the 'Augstsprieguma tīkls' group.

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

Audit Committee

The AST Audit Committee consists of three members, one of whom is a member of the AST Board and the rest are two other (independent) members elected at the AST shareholder meeting. The Audit Committee is accountable for its activities and completion of tasks to the AST Board.

The main role of the AST Audit Committee is to ensure the protection of the interests of the Company's shareholders in relation to the preparation and auditing of annual reports, and ensuring the efficiency of the internal control, risk management and internal auditing system, to the extent that these pertain to the credibility and objectivity of annual reports.

6 meetings of the Audit Committee were held in 2022, and 9 decisions were made.

The objectives and tasks of the AST Audit Committee, its operating principles, rights, and duties are defined in the AST Audit Committee regulations.

During the 2022 reporting period, the AST Audit Committee consisted of Andris Puriņš as an independent chairman of the Audit Committee, Ivars Blumbergs as an independent member of the Audit Committee, and Madara Melne (before 26 January 2022) as a member of the Audit Committee dependent on the AST Supervisory Board. Along with the changes in the composition of the Audit Committee, the entire Audit Committee was re-elected, with the AST Supervisory Board nominating its member Aigars Ģērmanis to fill the vacant member position. The chairman of the Audit Committee Andris Puriņš left his position in the AST Audit Committee on 31 December 2022 (last day in office). In accordance with the Financial Instrument Market Law, a meeting of AST shareholders was convened within a certain deadline to decide on the election of a new member of the Audit Committee and to ensure that the Audit Committee has an appropriate number of members. With the decision of the extraordinary AST shareholder meeting of 8 March 2023, it was decided to elect Roberts Ikaunieks and Ivars Blumbergs as two independent members of the Audit Committee of AST, and to re-elect the member of the AST Supervisory Board, Aigars Ģērmanis, as a member of the Audit Committee. The term of office of the members of the new Audit Committee is set to be from 8 March 2023 to 7 March 2026 (inclusive).

Section 55.[8] of the Financial Instrument Market Law stipulates that the work of the Audit Committee is led by its chairman, who is elected by the members of the Audit Committee from the members of the Audit Committee. Considering the fact that the AST Audit Committee was re-elected with new members by the decision of an extraordinary AST shareholder meeting, the new composition of the AST Audit Committee elected Roberts Ikaunieks as its chairman from among the committee's members by the committee's decision of 15 March 2023.

Information about the prior work experience of the members of the Audit Committee is available on the website of the Parent Company https://www.ast.lv/en/content/audit-committee

The Board

GRI 2-9, 2-10, 2-11, 2-12, 2-13

The management of AST's shares in its every operations is handled by its executive body, The Board, which jointly manages and represents AST.

The tasks and responsibilities of the AST Board are governed by applicable laws and regulations. The principles of the Board's activities, and its main duties, are determined by the articles of association and the regulations of the Board. All members of the Board are independent in their activities, and members of the Board do not own any capital in partner or affiliated companies.

The AST Board consists of five members, who are elected by the AST Supervisory Board for a five-year term, in accordance with the provisions of the law, after assessing if they have the necessary competences and experience for the intended area of responsibilities.

The Board of AST organises its work following the functional principle: each Board member is responsible for a certain field of activity based on their professional knowledge, experience, and competences in that field: Chairperson of the Board (management), Board member (system management), Board member (development), Board member (support), Board member (equipment operation):

- Chairperson of the Board (management) is responsible for general management, including strategic management, financial and HR affairs, security, including information security and risk management;
- the Board member (system management) is responsible for the supervisory control of the power transmission system, the management and development of the auxiliary services for the system, and the development of the electric power market;
- the Board member (development) is responsible for the development of the power transmission system, the management of investments in the system, and for information technology management;
- the Board member (support) is responsible for legal and economic support, and for transportation affairs;
- the Board member (equipment operation) is responsible for the management of power transmission assets, occupational safety affairs, for the technical laboratory.

The units within the organisational structure of AST were established according to the division of competences of the Board members and are subordinate to them. Each unit has its own regulations, which are approved by the corresponding Board member. The regulations of the unit determine the subordination of the unit, the purpose of the unit, its structure, organisation of work, tasks, and the rights, duties, and responsibilities of the head of the unit.

Once a month, the Board is presented with a report on the progress of the implementation of capital investments, and a report on the indicators describing the quality and performance of the power transmission service, including the indicators covering safety factors such as accidents at work and occupational safety aspects. Once a quarter, the Board reviews AST's significant risk management report, and the report on financial results.

The management of sustainability aspects at AST is handled by several units based on their competences. To improve the sustainability management process, a sustainability committee was established at the beginning of 2023, headed by the chairwoman of the AST Board, see the Policy commitments section for details. AST participates in the Swedbank Sustainability Council, where it is represented by the chairwoman of the AST Board.

During the 2022 reporting period, there were changes in the composition of the AST Board. Board chairwoman Gunta Jēkabsone, Board member (development) Arnis Daugulis, Board member (system management) Gatis Junghāns, and Board member (equipment operation) Imants Zviedris continued their work on the Board of AST, while Mārcis Kauliņš was dismissed from the position of Board member responsible for support on 16 September 2022. On April 14, 2023 Gunta Jēkabsone, the chairwoman of the Board of AS "Augstsprieguma tīkls", informed on its decision to leave the position of the chairwoman of the Board as of August 1, 2023. Changes in the composition of the Board of the Parent company will not affect the operation of the Parent company and AS "Augstsprieguma tīkls" will always provide safe and stable power transmission under the leadership of an experienced team.

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

GUNTA JĒKABSONE

Board chairwoman

Work experience

2021. – šobrīd	AS Augstsprieguma tīkls Board chairwoman
2017. – 2021.	FICIL — Foreign Investors Council in Latvia, board member and board chairwoman
2015. – 2021.	SIA Circle K Latvia, executive director
2008. – 2015.	SIA Latvija Statoil, head of Finance and Control Department
2002. – 2008.	SIA Latvija Statoil, internal auditor

Education

2001. – 2003.	RISEBA, master degree in Business
1995. – 2001.	University of Latvia, bachelor degree, legal consultant qualification

In office until: According to the decision of Gunta Jēkabsone, she will leave her position on August 1, 2023.

ARNIS DAUGULIS

Board member

Work experience

2021. – Present	AS Augstsprieguma tīkls, Board member
2016. – 2021.	AS Augstsprieguma tīkls, head of Information Technology Department
2015. – 2016.	State Chancellery, consultant in the State Administration Policy Department
2012. – 2015.	Ministry of Environmental Protection and Regional Development, deputy state secretary for information and communication technologies
2011. – 2011.	AS Latvenergo, board consultant
2006. – 2011.	AS Latvenergo, board member (information technologies and telecommunications)
2000. – 2006.	AS Latvenergo, head of the Information Technology Department

Education

1995. – 1998.	Stockholm Royal Institute of Technology (Kungliga Tekniska Högskolan, KTH), Sweden, licentiate of engineering
1990. – 1995.	Riga Technical University, master of electrical engineering

In office until: 14.07.2026

GATIS JUNGHĀNS

Board member

Work experience

2016. – Present 2022. – Present	AS Augstsprieguma tīkls, Board member Baltic RCC OÜ, board chairman
2017. – Present	Riga Technical University, associate professor
2015. – 2016.	Elektrum Lietuva UAB (Lithuania), council member
2008. – 2015.	Elektrum Lietuva UAB (Lithuania), board chairman and executive director, board member
2015. – 2016.	Elektrum Eesti OÜ (Estonia), council member
2007. – 2015.	Elektrum Eesti OÜ (Estonia), board member
2006. – 2014.	AS Nordic Energy Link (Estonia), council member
2007. – 2016.	AS Latvenergo, head of the Trading Unit
2005. – 2007.	AS Latvenergo, project manager
2003. – 2005.	AS Augstsprieguma tīkls, electrical engineer
2000. – 2003.	Rīgas Elektrotīkls division of AS Latvenergo, electrical engineer

Education

2012. – 2018.	Riga Business School, master in business management
2008. – 2010.	Stockholm School of Economics in Riga, master in business management
2003. – 2008.	Riga Technical University, Faculty of Energy Engineering, PhD in engineering
2001. – 2003.	Riga Technical University, Faculty of Energy Engineering, master of engineering
1997. – 2001.	Riga Technical University, Faculty of Energy Engineering, bachelor of engineering

In office until: 24.04.2026.

Work experience

2015. – Present	AS Augstsprieguma tīkls, Board member
2017. – 2018.	AS Conexus Baltic Grid council member
2014. – 2015.	AS Latvijas elektriskie tīkli technical director
2011. – 2015.	AS Latvijas elektriskie tīkli board member
2011. – 2011.	AS Latvijas elektriskie tīkli board chairman
2005. – 2011.	AS Augstsprieguma tīkls board chairman
2000. – 2005.	Augstsprieguma tīkls branch of AS Latvenergo, technical director.
1998. – 2000.	Augstsprieguma tīkls branch of PVAS Latvenergo, head of the Operation and Occupational Safety Monitoring Service
1996. – 1998.	Augstsprieguma tīkls branch of AS Latvenergo, supervisory control operator of the Supervisory Control Service.
1995. – 1996.	Augstsprieguma tīkls branch of AS Latvenergo, technician of the Supervisory Control Service.

Education

1993. – 1996.	Riga Technical University, power supply engineer/electrician
1986. – 1990.	Riga Industrial Polytechnic, electronic computing machine equipment and devices, technician/electrician

In office until: 17.12.2024.

MĀRCIS KAULIŅŠ

Board member

Work experience

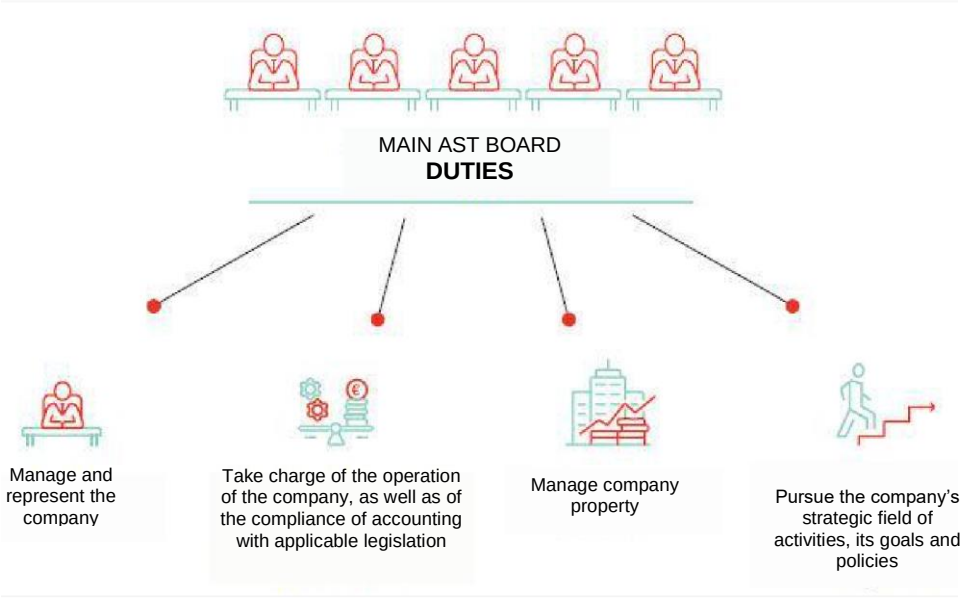
2016. – 2022.	AS Augstsprieguma tīkls, Board member
2015. – 2016.	AS Latvenergo, legal consultant
2011. – 2015.	AS Latvijas elektriskie tīkli, board member
2010. – 2011.	SIA North Hub Cleaning Services, 50uthorized representative
2004. – 2009.	SIA Metro Capital Management, legal consultant
2002. – 2003.	University of Latvia, public procurement specialist

Education

1999. – 2005.	University of Latvia, Faculty of Law, professional study programme of law, master of law

In office until: 16.09.2022.

In 2022, 80 AST Board meetings took place, considering 379 matters on the agenda relevant to the main business of AST, with 264 decisions made.



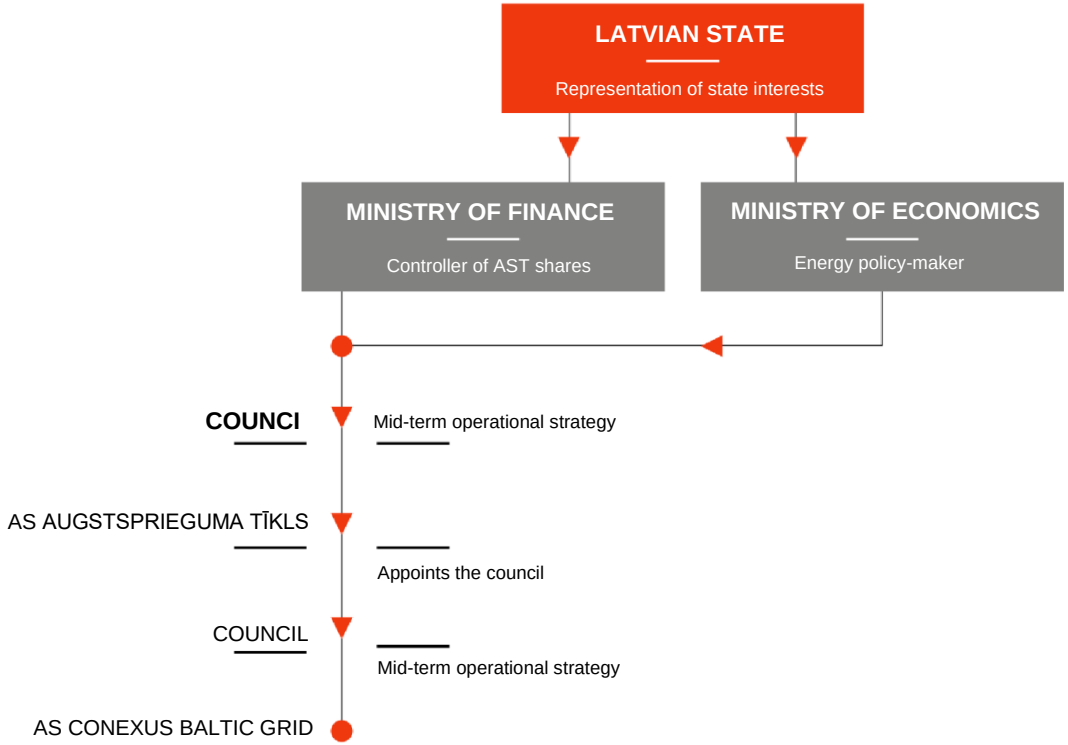
Internal audit

Internal audit at AST evaluates and helps improve the effectiveness of risk management, internal control, and governance processes, contributing to the achievement of AST's goals and increasing its value. The internal audit activity is functionally supervised by the AST Supervisory Board and the Audit Committee, but administratively, it is subordinated to the chairwoman of the AST Board.

An internal audit strategic and annual plan is prepared based on the risk assessment, which is reviewed by the AST Board and the Audit Committee, and approved by the AST Supervisory Board. The internal audit reports are submitted to the Board and the Supervisory Board of AST. The performance of the internal audit is in line with the international internal audit professional practice standards and the code of ethics. In the activity report for 2022, the internal audit, based on the self-assessment, confirmed the independence and objectivity of its activities, and prepared a general report on the effectiveness of AST's internal control and risk management systems, with recommendations for its improvement.

Subsidiary governance

The parent company's investments in other companies are managed in accordance with the corporate governance policy, following good governance practices. Governance at Conexus is effected by the parent company through the implementation of the rights and obligations of the shareholder set in the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Commercial Law, which includes appointing members of the Supervisory Board, who in turn represent the interests of the shareholders between shareholder meetings and oversee the operation of the Board. The goals of Conexus are based on the group's overall strategic goal and energy policy planning documents, as well as the group's mid-term operational strategy for 2021-2025.



Nomination and selection of members of executive bodies

2-10

The procedure for nominating and appointing members of the AST Board and Supervisory Board, and the requirements for the candidates, are set in the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulation issued on its basis, following the recommendations of the guidelines of the Cross-Sectoral Coordination Centre. The scope of the laws and regulations also includes setting the independence requirements for the members of the AST Board and Audit Committee, and the number of independent members.

AST's Supervisory Board and Board members are selected based on a competition, ensuring the hiring of highly qualified specialists. During the nomination of AST Supervisory Board and Board members, all candidates are given equal opportunities, and no different treatment of the candidates based on their gender, age, religious beliefs, or other features is allowed.

Before the establishment of the commission for the nomination members of the AST Supervisory Board, the controller of the state-owned shares sends to the coordination body the requirements to be set for Supervisory Board member candidates (including information about the necessary competences and professional experience), information about the situation in the company, it's a summary of its strategy, goals and challenges, information about the scope and tasks of the recruitment consultant involved, and information about the work of the delegated representatives of the controller of the state-owned shares in the nomination commission and the potential composition of the nomination commission. The nomination commission assesses and, if necessary, updates the requirements for the Supervisory Board member candidates, coordinating it with the controller of the shares.

The competence of the AST Supervisory Board is to decide on the need to start the nomination process for members of the AST Board, to determine the requirements for candidates for the position of a Board member, taking into account the applicable laws and regulations, and to set up a nomination commission.

A nomination commission is established for the selection and evaluation of AST Board and Supervisory Board member candidates. The nomination committee members with voting rights include representatives appointed by the shareholder or by the Supervisory Board and independent experts, and representatives appointed by the coordination body. Persons whose knowledge and professional experience are appropriate are included, in order to define in more detail, the criteria of professionalism and management competences necessary for the evaluation of candidates in each specific case, and to use them for the evaluation of knowledge and management competences of the candidates. For example, the nomination commission for the vacant Board member position established by the decision of the AST Supervisory Board on 25 November 2022 includes the chairman of the AST Supervisory Board Kaspars Āboliņš, AST Supervisory Board member Aigars Ģērmanis, head of the Company Governance Division of the coordination institution Dzintra Gasūne, chairman of the Enerģija trade union Aivars Āboliņš, vice-president of the Latvian office of the Baltic Institute of Corporate Governance Andris Grafs. A recruitment company is contracted.

As part of the nomination process, the compliance of the candidates for the position of a Supervisory Board and Board member with laws and regulations is also assessed (for example, compliance with Section 31(4) of the Law on Governance of Capital Shares of a Public Person and Capital Companies (for Board and Supervisory Board member candidates in state-owned companies)), as well as their reputation. All candidates are assessed for the same management competences, using the same management competence assessment methods.

After approval of the regulations of the nomination commission and its announcement, including the candidate evaluation criteria, the controller of the shares or the Supervisory Board announces a public application procedure for the vacant Board or Supervisory Board member position.

The procedure for nominating and appointing the members of the AST Audit Committee is determined by the nomination commission established by the AST Board and Supervisory Board, in compliance with the requirements set for the members of the Audit Committee in applicable law.

The AST Board and Supervisory Board member, and Audit Committee member nomination process complies with the principles of good corporate governance, ensuring an open, fair, and professional selection of board members, thereby enabling the creation of professional and competent bodies in the company. The composition of these bodies is such that they have all the necessary competences and a sufficiently critical and independent attitude in the assessment and adoption of decisions.

The Supervisory Board members of AST subsidiaries are also nominated considering: the principles set in the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulation issued on its basis, or following the procedure for combining positions, delegating AST employees to perform Supervisory Board functions. Throughout the nomination process, AST adheres to the principles of good corporate governance.

AST, through the Board members it nominates, represents its rights and interests of the shareholder between shareholder meetings, in the matters that are within the competence of the Board. The AST Supervisory Board members nominated are AST's fiduciaries, who in their actions observe the duty of loyalty to AST's interests.

During the nomination process for the executive bodies of the group, all candidates are given equal opportunities, and no different treatment of the candidates based on their gender, age, religious beliefs, or other features is allowed.

The chairman of the AST Supervisory Board is elected to the position in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Commercial Law, which states that members of the Supervisory Board elect the chairman of the Supervisory Board and at least one deputy chairman from among themselves. The deputy Supervisory Board chairman only performs the duties of the chairman of the Supervisory Board if the chairman of the Supervisory Board is absent or has appointed the deputy to act as the chairman.

The chairman of the AST Board is elected by the AST Supervisory Board.

The Financial Instrument Market Law stipulates that the work of the AST **Audit Committee** is led by its **chairman**, who is elected by the members of the Audit Committee from the members of the Audit Committee. During their absence, the chairman of the Audit Committee is replaced by another member of the Audit Committee based on the chairman's written instruction.

The chairmen of the Board and Supervisory Board of the subsidiary company are elected by the decisions of the corresponding bodies (Supervisory Board, shareholder meeting).

The chairmen of the executive bodies handle the organising and management of the work of these bodies, preside at meetings, cast deciding votes in decision-making.

Conflicts of interest

GRI 2-15

Members of the Supervisory Board and Board of state companies, as well as the members of the Audit Committee, have the status of public officials as defined in the Law on Prevention of Conflict of Interest in Activities of Public Officials, which limits their activities outside of their official powers to prevent personal or financial interest in their activities. The AST Board and Supervisory Board members, as well as the members of its Audit Committee, must comply with the general and special restrictions set for holding public offices, as well as earning income, commercial activities, accepting gifts and donations, and other restrictions set in the Law.

The Supervisory Board, Board, and Audit Committee members must submit a public official report every year. The types of conflict of interest and measures to prevent conflicts of interest are defined in the 'Augstsprieguma tīkls' group code of ethics and the rules for the management of risk of fraud, corruption, and conflict of interest.

AST Board members require prior approval of the Board to combine positions; Supervisory Board members as well as members of the Audit Committee require prior approval of the shareholder.

The members of the Board and the Supervisory Board of the subsidiary who represent the interests of AST are public officials within the meaning of the Law on Prevention of Conflict of Interest in Activities of Public Officials.

Additional prevention of corruption and conflict of interest measures and internal control systems are also set:

- In the regulations of the Supervisory Board, the Board, and the Audit Committee (Board or Supervisory Board members may not participate in the examination of issues involving conflicts between the interests of the company and the interests of member's first or second degree relative, adopted child, adoptive parents, and persons with whom they share a household);

- In the corporate governance policy (the general and special restrictions on holding public offices and earning income, on commercial activities, on accepting gifts and donations, and other restrictions set in the Law on Prevention of Conflict of Interest in Activities of Public Officials must be observed. In their activities, members of the AST Board comply with the restrictions on the conclusion of transactions with affiliated parties, and non-competition requirements, set in the Commercial Law);
- In the procurement policy (the principles of supplier ethics are defined);
- Financial risk management policy.

The AST Board and Supervisory Board members are personally responsible for promptly reporting to the executive body supervising them in writing on any existing or potential conflicts of interest. For the Audit Committee: once a year, the member of the Audit Committee fills in a statement of economic interests, in which they indicate all their property interests and liabilities, including information about investments, credit liabilities, professional activities that must be declared, and other salaried positions or activities. In any case, it is considered that a member of the Audit Committee has a conflict of interest if one of the following criteria is met for that member of the Audit Committee: (1) they have been involved in the daily decision-making of the AST management in the past year; (2) they have been in direct, significant business relations with AST in the past three years; (3) in the past three years, they have been an owner or managing employee of another company directly or indirectly related to AST (for example, subsidiaries or affiliated companies) or another company that had significant business transactions with AST; (4) they have received or are receiving additional remuneration from AST, been involved in AST incentive schemes related to receiving remuneration in the form of AST shares or share-related instruments, or are involved in receiving retirement benefits in the company; (5) they have been a member of the AST Supervisory Board for more than nine years since the time of their first election; (6) they have a close family relationship (marriage, brother or sister-in-law, shared household) with an individual who is subject to any of the above criteria.

Members of the Audit Committee (including the independent members of the Audit Committee) must report any existing or potential conflict of interest in the activities of members of the Audit Committee. Each member of the Audit Committee is personally responsible for promptly reporting any existing or potential conflict of interest in writing, to the chairman of the Audit Committee. If such a report is received, the chairman of the Audit Committee determines the procedure for further action concerning the member of the Audit Committee, assessing the significance and impact of each specific case. If a potential or existing conflict of interest is identified that concerns the chairman of the Audit Committee, the chairman immediately informs the AST Supervisory Board of this in writing, which determines the course of action to manage the conflict of interest.

During the reporting period, no existing or potential conflicts of interest were identified in the activities of members of the AST Supervisory Board, the Audit Committee, and The Board.

The ‘Rules for the certification of the power transmission system operator’ introduced with decision No. 1/29 of the PUC council on 23 November 2011 set the requirement to certify the transmission system operator and assess the independence of the system owner. Once a year, in order to certify the

compliance of the transmission system operator with the Electricity Market Law, AST submits the documents and information required, including a statement that the controller of the shares of AST is not, directly or indirectly, the controller of the shares of the system owner or the controller of shares of companies that engage in the generation, trading, and distribution of electric power, including a statement by the controller of the shares of AST that the party that appoints the members of the Board or the Supervisory Board of the transmission system operator cannot directly or indirectly appoint the members of the Board or the Supervisory Board of the system owner or the members of the Board or the Supervisory Board of a company that engages in the production, trading, and distribution of electric power, including the articles of association of AST and the employment contracts of the board members or other civil agreements, on the basis of which AST Board members operate within the company, confirming that the same person cannot simultaneously hold the position of a Board member of AST and the position of a board member in a company that produces, trades, or distributes electric power. AST submits documents certifying the fulfilment of this requirement in relation to the members of its Supervisory Board.

In the parent company, the risks of fraud, corruption, and conflicts of interest are assessed for all positions in all units of the company. The risks are grouped by groups of positions, if their potential risks are comparable. In 2021, a total of 42 units, 165 job groups, and 40 unique manifestations of risk were assessed. In 2022, a total of 43 (+1, compared to 2021) units, 172 (+7) job groups, 41 (+1) unique manifestations of risk were assessed. Risks with a critical residual risk level were not identified.

The fraud, corruption, and conflict of interest risk monitoring measures, which in 2022, as in previous years, included conflict of interest statements for the corresponding year made by AST employees, AST employee data monitoring in the Lursoft databases, internal and external environment monitoring, show that AST employees comply with the AST requirements in the field of managing fraud, corruption, and conflict of interest risk.

The parent company regularly provides training on how to act in situations with conflict of interest to persons required to prevent conflict of interest. Learning materials and a knowledge test are sent electronically once a year, and at least once every three years, training is provided with the involvement of experts from the Corruption Prevention and Combating Bureau (CPCB). The last training of this type involving a CPCB specialist took place 26 November 2021.

In 2022, a course with a knowledge test was held in the Viszinis internal training system, covering the topics of fraud, corruption, and conflict of interest; it was mandatory for all those employees who had at least one medium-level risk. The course was taught using IT solutions that made it possible to access the learning materials remotely. The training materials are available to all AST employees.

A code of ethics has been developed in the subsidiary. The purpose of the code of ethics is to create a single set of ethical behaviour standards in the subsidiary and to strengthen its internal culture, business practices, and reputation by defining the ethical principles and internal organisational measures based on the subsidiary's core values. The subsidiary evaluated the risk of corruption in the context of its entire operation and did not identify any high-level risks. The subsidiary permits zero intolerance towards any kind of abusive, inappropriate, or illegal behaviour for personal gain by its employees

and officials, and zero tolerance (risk appetite) was set for the risk of corruption and fraud. In addition to mitigating the risk of corruption, the code of ethics stipulates that the board of the subsidiary approve a list of positions whose holders must submit a statement confirming the absence of conflicts of interest; the code also defines what the content of such a statement is. The list includes company unit auditors, leading specialists, procurement specialists, and other employees who participate in making or preparing decisions that significantly affect the business of the subsidiary, or who are constantly provided with restricted access information or information containing trade secrets for the performance of their duties. These employees must submit the statements every year and, if the assessment of the statements reveals such necessity, measures can be taken to prevent a possible or real conflict of interest. Detailed information is provided in the subsidiary's separate sustainability report, 'Responsible management' section, 'Ethics and prevention of corruption' subsection.

Communication on important issues

GRI 2-16

The companies of the group prepare and send to the media press releases covering all significant events; this information is also posted on the companies' websites. The members of the Boards of the group's companies explain various problems in television and radio interviews, and in publications in other media.

The council of the subsidiary works independently; however, the members of the council or, respectively, the board appointed by AST report to the Board of AST and, in particularly important cases, also to the Supervisory Board of AST on all highly important issues on the agenda of the council and the board of the subsidiary, providing their assessment of the compliance of the possible decisions with the interests of AST. Issues considered highly important are those that:

- must be reviewed at the meeting of shareholders of the subsidiary;
- affect the mid-term operating strategy of the subsidiary;
- change the composition of the board of the subsidiary;
- affect the fees charged for publicly regulated services;
- pertain to the approval of the inter-period quarterly reports of the subsidiary;
- concern other matters that AST has determined to be highly important, including, but not limited to, providing approval to the matters specified in the subsidiary's articles of association.

During the reporting period, given the energy crisis in the country, associated with the geopolitical situation in the world, the executive bodies of the subsidiary provided the AST Board and Supervisory Board with regular reports on the situation in the field of natural gas transmission, agreeing on the necessary solutions, including the necessary amendments to the applicable laws and regulations.

During the reporting period, as part of AST Supervisory Board meetings, the AST Board provided information about several issues relevant to the continuity of AST's business to the members of the Supervisory Board. For example, regarding AST's readiness to manage emergencies and crises, regarding the impact of Decision 22 of the Competition Council of 30 July 2021 July (a prohibited agreement between multiple construction companies was found) on AST's procurements, about contracts concluded and the availability of European Union funding, about the impact of geopolitical processes on the financial statements of AST and 'Augstsprieguma tīkls' group, about power transmission system service fees, etc. If necessary, the AST Supervisory Board encouraged active communication and cooperation between the AST Board and the owner of the company's shares, as well as with the energy policymakers, to achieve the best possible solutions.

Executive body performance assessment

GRI 2-18

The performance of the Board and Supervisory Board of AST is assessed in accordance with binding regulations: Cabinet Regulation 'Procedure for assessing the performance and financial indicators of companies in which the state has a decisive influence', the Cross-Sectoral Coordination Centre 'Guidelines for assessing the results of activities of board and council members', 'Guidelines for the annual self-assessment of the work of the council':

- the assessment of the performance results of a board member consists of the assessment of the achievement of the goals set for the board member, in combination with the assessment of the company's performance;
- the assessment of the performance results of a council member is mainly based on the self-assessment performed by the council.

Every year, simultaneously with the approval the next year's budget, and based on the strategy and the sustainable growth goals included in it, the Supervisory Board approves the financial and non-financial goals of the company for the next year and the performance indicators to be achieved. In addition, the Supervisory Board approves individual performance indicators for each Board member, and determines their effect on the variable part of the Board members' remuneration. The parent company's financial and non-financial goals for 2022 were approved at the Supervisory Board meeting of 20 December 2021, while an AST Supervisory Board decision of 25 February 2022 approved the individual performance indicators set for the Board chairwoman and Board members of AS Augstsprieguma tīkls for 2022. Once a quarter, The Board of the company reports to the Supervisory Board on the progress of the achievement of goals.

The assessment of the performance results of a member of the AST Supervisory Board is generally based on the self-assessment performed by the Supervisory Board, the results of which are shown in the annual report of the AST Supervisory Board submitted to the shareholder meeting. The conditions for the self-assessment of the Supervisory Board include the 'Guidelines for the annual self-assessment of the work of the council' issued by the Cross-Sectoral Coordination Centre.

Once a year, the AST Supervisory Board evaluates the performance of The Board, assessing the indicators of the goals (*criteria, KPI (key performance indicators)*) set for each Board member. In addition, each Board member prepares a self-assessment once a year, in accordance with the working goals set for them, and submits it to the Board.

The AST Audit Committee annually provides the AST Supervisory Board with a written report on its activities and the completion of the tasks assigned to the Audit Committee, and reports to the AST Supervisory Board on the identified deficiencies and violations (if any) in the process of preparing and auditing the AST group consolidated and AST annual accounts, as well as the effectiveness of internal control, risk management, and AST's Internal Audit Unit in relation to the quality assurance of these statements and accounts. The performance of the AST Audit Committee for the reporting year is examined as part of an AST Supervisory Board meeting.

In the AST subsidiary, the appointed council members perform a self-assessment of their activities once a year; they also assess their activity as a body, including it in the council's report to the shareholder meeting.

In the AST subsidiary, the performance of the board members is assessed (council decision) based on the results in the audited annual accounts for the previous financial year and the achievement of the performance indicators set for the company and its board members.

Based on the results of the evaluation of the performance of the executive bodies, decisions may be made regarding the payment of the variable part of remuneration (bonus) (bonuses are not paid to members of the council and the Audit Committee) for positive work performance, or decisions may be made on the dismissal of a particular member from their position, if their performance is found unsatisfactory and inconsistent with the goals set by the company.

Remuneration and principles for determining it

GRI 2-19, 2-20, 2-21

The main goal of the group's remuneration policy is to maintain a competitive and motivating remuneration system for all its employees, with efficient use of its financial resources. The remuneration system is an important set of management tools that contribute to the achievement of the company's strategic goals and to the ongoing development of the company.

The goals of the policy are to:

- provide the competences necessary for achieving the business goals, hiring employees with appropriate qualifications in the long run;
- motivate employees for high work performance, increases in productivity, and attainment of goals;
- increase the level of responsibility and initiative among employees;
- efficiently use financial resources.

The remuneration policy of the Supervisory Board and the Board of the group is determined in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulation issued on its basis, as well as the guidelines of the Cross-Sectoral Coordination Centre. The law sets uniform regulations for the remuneration of council and board members of public-entity companies. The amount of remuneration is determined by assessing the criteria describing the size of the company, and results of the company's operations.

The monthly remuneration of the Board chairman and the Supervisory Board chairman is linked to the average monthly remuneration of employees in the country in the previous year, as published in the Official Statistical Bulletin of the Central Statistical Bureau, multiplied by a factor determined according to the criteria describing the company (turnover, assets, number of employees). The monthly remuneration of a Supervisory Board and Board member may not exceed 90% of the monthly remuneration of the chairman of the Supervisory Board or the Board.

A Supervisory Board member who is also a member of a committee (Audit Committee) does not receive remuneration for their work in that committee. Once a year, after the approval of the annual accounts, the Supervisory Board may decide on the payment of a bonus to the members of the Board. The performance indicators of the company, the fulfilment of its strategy and the achievement of its goals are considered when determining the bonus. The amount of the bonus may not be greater than two monthly salaries of the Board member.

Information about the link between the remuneration of the group's Supervisory Board and Board members with aspects of sustainability and the results achieved is provided in the Executive body performance assessment section of this report.

The collective bargaining agreement does not apply to the members of the AST Supervisory Board and Board. Authorisation agreements are concluded with Supervisory Board and Board members, which, among other things, stipulate that in the event of a Supervisory Board member's dismissal, the authorised representative does not receive a severance benefit or any other form of compensation, while a Board member receives a severance benefit in the amount of three monthly salaries if the authorised representative is removed from office before the end of their term in office, including in the event of the company's reorganisation or liquidation, and the reason for the dismissal is not related to breaches of powers, complete or partial failure to perform duties, inability to manage a company, harm to public interests, or a no-confidence motion by the Board. If, after a comprehensive inspection, the law enforcement authorities of the Republic of Latvia find that a Board member does not meet the requirements of Section 9 of the Law on Official

Secret, which results in the authorised representative being denied access to confidential, secret, or top-secret state secrets, the authorised representative is removed from the Board member position and in such a case the severance benefit is not paid.

In 2022, the total remuneration of the chairman of the AST Supervisory Board Kaspars Āboliņš was EUR 40,153, the deputy chair of the Supervisory Board Olga Bogdanova, EUR 36,133, the Supervisory Board member Armands Eberhards, EUR 36,133, the Supervisory Board member Aigars Ģērmanis, EUR 36,133, and the Supervisory Board member Madara Melne, EUR 2,580 (before 26 January 2022).

In 2022 the total remuneration of AST Board chairwoman Gunta Jēkabsone was EUR 144,344, the Board member (development) Arnis Daugulis, EUR 129,458, the Board member (equipment operation) Imants Zviedris, EUR 140,013, the Board member (system management) Gatis Junghāns, EUR 140,013, the Board member (support) Mārcis Kauliņš, EUR 135,455 before 16 September 2022.

EMPLOYEES AND WORKERS

EMPLOYEES AND WORKERS

Management approach

In its daily work, the group focuses on environmental, safety, economic, and social sustainability. Initiatives that are in line with the group's core values and principles of equal treatment have been implemented and supported in the company for a long time, creating a diverse and inclusive work environment for all its employees.

Development is AST's driving force, and its key to success is its team consisting of more than 500 professional and committed employees (522 employees on 31 December 2022, 529 on 31 December 2021) who care about power transmission, its security, and development. AST's management knows that diverse employees with different competences are an asset that enables the company to grow and achieve new goals.

AST's employees and managers are professionals in their fields, who build relationships among themselves and with representatives of stakeholders in the main areas of AST business based on the following
values:

Human resources policy and principles

The guidelines of the AST human resources policy were developed based on the strategic goals and tasks of the group's mid-term operational strategy for 2021-2025. The guidelines represent AST's vision and values in its treatment of its employees and include the most important areas in the management of human resources, setting goals and objectives for the mid-term period between 1 January 2022 and 31 December 2025.

The purpose of the guidelines is to set the principles for the implementation of a uniform, modern, and effective human resources system and provide AST with professional, involved, and motivated employees, to achieve high operational efficiency in AST.

Given the dynamic growth of AST, the processes related to its integration into the internal EU power market, synchronisation with European power transmission networks, digital transformation, AST sustainability, and the achievement of the goals set are impossible without involved and professional employees. Employees are the most important strategic resource of AST, contributing to the high operating efficiency of AST.
To enable the achievement of AST's strategic goals, the guidelines include the following areas of HR management: personnel planning, personnel selection, on-boarding of new employees, HR development, work performance management, remuneration system, working environment, and the main human resources efficiency indicators.

The principles are based on the following values:

- compliance with laws and regulations;
- acceptance and compliance with AST's mission, values, and ethical principles;
- AST priorities and goals;
- fair, just, and equal treatment of employees;
- diversity-based and inclusive work environment, with equal opportunities for all employees;
- sustainability, developing employee competences, transferring knowledge, sharing experience, and ensuring the generational transfer in the corresponding fields of activity;
- building and maintaining of AST traditions;
- social dialogue with organisations representing employees.

AST always listens to the opinions of its employees pertaining to occupational safety and other important critical elements of the working environment, which facilitate the hiring of employees and improve the attitude of employees and their commitment to work. An employee involvement study takes place every two years. The purpose of the study is to identify strengths and areas for improvement, as well as to determine priorities to work on to improve employee involvement in the company. The last time the study was conducted was in 2021, and 77% of all AST employees approached participated in it. The results of the study showed that the employees have an incomplete understanding of the progress in the company's digitisation

and its future role, as well as the need to improve the digital skills of the employees themselves. For this reason, several successful information and digital skills projects were implemented in the company in 2022. In addition, the study concluded that employees wanted greater involvement of the management in working on the work-life balance. As a result, during the reporting period, the company's management supported distance working opportunities as much as it was possible. For a greater understanding of the company's strategy and goals among its employees (the employees had noted this as something important for them in the study), the management visited employees in various regions; there were information meetings for managers, with more circulation of internal information on the company's internal website. The next study will take place in 2023.

Employees help maintain the positive reputation of the company and its brand in dealing with stakeholders. Interpersonal relations are built based on general ethical principles, fairness, mutual respect, and preventing conflict of interest.

The remuneration of the employees

The remuneration of the employees of the group and the parent company consists of:

- base salary, which is the salary specified in the employment contract, based on the assessment of the corresponding position;
- variable part of the salary, which is the part of the salary that depends on the employee's performance. Its purpose is to have a work environment that encourages the achievement of targets in terms of quantity and quality, and to accordingly reward the employee for their contribution to the achievement of results. Heads of units undergo an annual performance assessment, on the basis of which they receive an annual bonus. The performance assessment consists of the following parts: achievement of the goals of the unit, assessment of competences and additionally, if any, the contribution to the achievement of particularly important/priority goals of AST. Employees, meanwhile, undergo a short-term/quarterly performance review, for which they receive a quarterly bonus. In this case, the evaluation criteria include such items as the performance of work within the prescribed standards (deadlines, quality and quantity, etc.), initiative, commitment, performance of additional tasks, and, if applicable, excellent work in achieving the goals set within the given period. Employees are also awarded one-off, individual bonuses for work performed in addition to their main job;
- additional benefits according to the collective bargaining agreement: the purpose of these elements of the variable remuneration system is to provide social guarantees, supporting the largest possible number of employees, considering the age of the employee and the risks of the working environment, and supporting the work-life balance.

In the group, the remuneration of employees is determined considering the position held, the employee's skills and qualifications, the scope and complexity of the work performed, the employee's attitude and contribution to the group's growth and the achievement of its goals, ensuring that the remuneration received corresponds to the work invested, and to the group's performance indicators. In order to maintain competitiveness and comply

with the current trends in remuneration, the parent company and the subsidiary assess their practices during the year through studies conducted in cooperation with a human resources consulting company, taking into account current remuneration trends in Latvia.

In the parent company, all positions are assessed or, if necessary, re-assessed once every two years according to the criteria defined: education, experience, complexity of work and thinking, problem-solving, decision-making, cooperation, responsibility for the results, physical effort, and working conditions. All positions are divided into 20 remuneration groups. The number of positions in each group can be different, but it is possible compare positions and determine equivalent pay for workers within a single position group. Each remuneration group has a defined salary range, which is calculated according to the data of the Figure Baltic Advisory general remuneration study, and its target level is determined by the job market median, while the limits of the remuneration groups are set at the target salary level +/-15%

Employees whose knowledge, experience, abilities, and contributions are particularly important to the development of AST and the achievement of its goals may be provided with remuneration higher than the average market level. The maximum possible amount is up to 30% above the market median salary for the position.

The parent company annually participates in Figure Baltic Advisory's general remuneration study to ensure the complete use of AST's remuneration policy and to make sure that the level of remuneration is set and maintained in such a way to balance the remuneration of employees and the level of remuneration in the job market, and to determine the competitiveness of AST on the job market.

The methods for motivating employees are in line with AST's financial resources and the law of the Republic of Latvia.

In 2022, work began on the development of a procedure for assessing job positions and determining their remuneration. The working group, in cooperation with a Figure Baltic Advisory consultant, assessed the company's positions according to common principles and criteria, using the analytical evaluation method for mental and manual labour.

This work will continue in 2023: based on the assessment of the job positions, a process will be developed and implemented for the assessment of positions, for the determination and revision of the base salary of employees, in order to create a fair and competitive basic salary system in line with the trends of the job market, and to achieve a uniform approach to the assessment of the job positions in the company and determining the corresponding base salaries

The main focus of the group is on sustainable growth and on ensuring the operation of the company infrastructure. Ensuring business continuity in the long run requires a skilled workforce with specialised knowledge and specialised experience. To ensure that these tasks are performed by existing employees, and to attract new employees, it is necessary to provide competitive remuneration.

Given the results of the general remuneration study conducted by Figure Baltic Advisory in 2021, and the provisions of the AST collective bargaining agreement requiring the revision and increase of the monthly salary by the amount of the previous year's inflation, at the beginning of 2022, the basic salary of AST employees was revised and increased by 7.9% for those employees, who started working before 1 July 2021.

Meanwhile, in the subsidiary, to ensure the social protection of lower-paid employees, the basic salary for this category of employees was increased in January 2022. Remuneration for high-level specialists and managers was increased in February 2022. As a result, the total remuneration of the company's employees increased by more than 8%. In the job market forecasts made in the 2022 general remuneration study by Figure Baltic Advisory, the geopolitical situation, the associated rapid inflation, and the expected increase in energy prices were the reasons for why the subsidiary completed its revision of wages originally planned for 2023 already at the end of 2022, increasing the base monthly full-time salary for all employees of the Company by EUR 200, proportionally to their workload.

The table compares data on the amount of the highest paid employee's salary to the overall median annual salary over the last two years

	Subsidiary		**Parent company**	
Salary increase	**2022**		**2022**	
Increase in median annual total salary for employees[1]	13.7%		9.7%	
Highest paid employee (increase in total annual salary)	6.2%		7.8%	
Ratio of the total annual salary of the company's highest paid employee/official to the total median annual salary of the other employees	**2021**	**2022**	**2021**	**2022**
MEDIAN (total annual salary) = 100%	100%	100%	100%	100%
Highest paid employee (total annual salary)	438%	409%	298%	282%

The following assumptions were used to calculate the total median annual salary:

- all employees who were employed throughout the reporting year participated in the analysis, except for the highest-paid employee;
- board members were excluded from the analysis;
- the highest-paid employee was determined using their total annual salary, not their base salary;
- the calculation of the total annual salary included all elements of the base salary (salary, regular benefits, sick leave pay, holiday leave pay, one-time bonuses, etc.), bonuses for annual/semi-annual results, contributions to the private pension fund;
- the calculation of the total annual salary did not include benefits and tax payments stipulated in the collective bargaining agreement.

Collective agreements

GRI 2-30, AST-2

In the context of sustainable growth, investing in employees is vital, which is why a collective bargaining agreement is signed in the parent company and in the subsidiary, building a united, strong, and professional team. The collective bargaining agreements of the group's companies, which come in addition to the applicable laws and regulations, and the employment contract concluded with the employee, regulate employment topics such as: obligations of the parties, employment guarantees, organisation of wages, occupational health and safety, holiday leave, additional leave, and social guarantees. The group respects the right of its employees to collective representation.

In 2021, 53% and in 2022, 52% of the group's employees were members of a trade union. The collective bargaining agreements concluded by the companies of the group are applicable not only to the members of the company's trade union, but also to all employees of the company

The collective bargaining agreement concluded as a result of cooperation between the parent company and the Enerģija trade union provides additional guarantees for all AST employees, regardless of their membership in the trade union, thus enabling equal economic and social protections. In 2021, 70% of the employees were members of the AST trade union, and in 2022, it was 71% of employees. Understanding the importance of the company's employees in achieving its goals, and in accordance with the provisions of the collective bargaining agreement, AST makes contributions to the pension fund for its employees, and provides a severance benefit to retiring employees. AST implements family-friendly principles in the company: employees are paid an allowance when their child starts their first year of school and are provided with a week of leave in addition to what is required in the Labour Law. Employees with children are granted additional paid holidays, etc., this not only helps motivate and improve the working capacity of the employees, but also contributes to the well-being of the public at large. At the same time, the collective bargaining agreement provides various benefits to AST employees for important events in their lives.

AST is a shareholder (1.9%) of the pension fund 'Pirmais slēgtais pensiju fonds'. The pension fund manages the contributions made. Contributions to the pension plan are a part of AST's operating costs and are covered by AST's operating income. Contributions for employees are made in the amount of 6% of the employees' wages. In 2021, AST contributed to the pension fund for employees in the amount of 654 thousand euros and with EUR 698 thousand in 2022. In terms of the number of employees, this covered 93% in 2021, and 92% in 2022. No pension fund contributions are made for The Board.

In addition to contributions to the pension fund, and based on the collective bargaining agreement, benefits were paid to employees in the amount of 721 thousand euros in 2021, and 811 thousand euros in 2022.

The retirement benefit applies to those employees who terminate their employment and are entitled to receive a state old-age or disability pension. The size of the benefit depends on the time worked at AST: for each year worked in the company, a benefit in the amount of one week's average salary is awarded. In 2021, the total amount of the benefits was 326 thousand euros, and in 2022, 389 thousand euros.

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

Workers who are not employees of the company

GRI 2-8

In the group and the parent company, compliance with occupational safety requirements extends not only to the company's employees, but also to the employees of the contractors providing services to the group and the parent company. All contractor employees are briefed and given general information about occupational safety at the company before they start work on electrical devices and within protection zones around them. The work organisation procedure and information about occupational safety requirements in the company were determined; the information is publicly available on the AST website, at www.ast.lv.

Contractors manage their human resources, and the group and the parent company monitor their activities at the company's facilities, performing inspections of compliance with occupational safety requirements at the workplaces within the scope and schedule specified. These inspections are performed by persons in charge of the site and by the company's engineering staff. An inspection report is prepared on the basis of the inspection, and the contractor is informed accordingly. If significant violations are found, the contractor's work may be suspended, and fines may be imposed.

STRATEGY, POLICIES, AND PRACTICES

STRATEGY, POLICIES, AND PRACTICES

Policy commitments

GRI 2-23

In its activities, the group is guided by internationally accepted standards of ethics, tolerance, respect for human rights, and other generally accepted standards of good governance. Governance is based on sustainable growth, openness, and transparency, on compliance, performance, horizontal cooperation, professionalism, initiative, growth, on the four-eyes principle, ethics, equal opportunities, communication with stakeholders, high-quality internal communication, and trust-based external communication.

The corporate governance at AS Augstsprieguma tīkls is carried out taking into account the laws and regulations of the Republic of Latvia, the recommendations for the corporate governance of companies provided by the European Union and the Organisation for Economic Co-operation and Development, the Corporate Governance Code developed by the advisory council of the Ministry of Justice. The corporate governance report is publicly available on the AST website: https://www.ast.lv/en/content/model-corporate-governance.

The basis for the state ownership of AST is set by the order of the Cabinet of Ministers, which approves the general strategic goal of AST. Meanwhile, a ten-year plan for the development of the transmission system, as well as strategic, tactical, and operational plans for the transmission system, are drafted in order to enable the main business of AST.

The strategic development of the activities of AST, its subsidiaries, and affiliated companies for a period of at least three years is determined in the mid-term operational strategy, with a process of assessing its implementation and the achievement of the goals set.

The policies for the implementation of AST operations determine the principles on which the decisions necessary for its business are based, to enable and encourage the efficient and effective use of resources and to limit the risks specific to the field. Furthermore, these principles are implemented in the AST subsidiary, which facilitates the implementation of AST's key governance principles in the subsidiary. In 2022, the policies were audited to systematise them, to identify the key areas of governance, and the aspects that should be updated in policy-level documents, and to create an environment where transparency, responsibility, and fair business practices are the norm.

The aspects identified and updated at the level of policy documents have only been summarised and divided into four units: governance aspects and economic performance, environmental aspects, social responsibility aspects (public), employees and work environment. Policies existing in each of these areas were reviewed, and an agreement was reached at the Board and Supervisory Board level to draft several policies essential to the operation of the company, such as a sustainability policy, HR management policy, prevention of corruption and conflict of interest policy, etc.

So far, AST has developed the following policies:

- **Corporate governance policy**, which aims to establish common principles, according to which AST effects corporate governance, promoting ethical, responsible, and transparent corporate governance practices;
- **Code of ethics**, which facilitates the development of corporate culture, enables the more successful completion of AST's goals and tasks, strengthens the reputation of the AST group brand and its services;
- **Remuneration policy**, whose purpose is to have a competitive and motivating remuneration system for all its employees, with the efficient use of its financial resources, to provide the competences necessary for achieving the business goals, hiring employees with appropriate qualifications in the long run, to motivate employees for achieving high-quality in their work, to increase productivity and to achieve goals, to increase the level of responsibility and initiative of employees, to efficiently use financial resources;
- **Environmental and energy management policy**, which aims to continuously improve AST's environmental and energy performance by introducing the best technical methods and technologies, reducing resource losses, amounts of waste, emissions of polluting substances, and impact on climate change and biodiversity;
- **Corporate social responsibility policy (CSR)**, which aims to define the most appropriate activities and principles for AST in the field of CSR, in order to facilitate the fulfilment of the group's strategy and sustainable growth;
- **Information system security policy**, which defines common principles for IT security and management of information systems, ensuring their confidentiality, integrity, and availability;
- **Internal audit policy**, whose purpose is to define common principles enabling compliance with the requirements for achieving high-quality in operations, as well as independence and lack of bias in internal auditing activities;
- **Risk management policy**, whose purpose is to define common principles for risk management, with the goal of early identification and management of the most important factors negatively affecting operations, ensuring the achievement of strategic goals, successful development, and reducing potential losses and/or reputation damage;
- **Procurement policy**, whose aim was to define common principles for purchasing goods and construction or other services;
- **Financial risk management policy**, whose purpose is to define, implement, and maintain the principles of financial risk management in order to enable the continuous improvement of financial management at the company, reducing the potential negative impact of financial risks on financial results;
- **Occupational safety policy**, which is the top management's stance in the field of occupational safety. A goal is set for the implementation of the policy, the achievement of which is enabled by the occupational safety system implemented in the company;
- **Quality policy**, which is geared towards the accomplishment of AST's mission (*to provide continuous, secure, and sustainable power transmission services across Latvia*), operational efficiency, and sustainable growth;

- **Accounting policy**, which sets the principles of accounting in the main areas of business activity.

During the next period, it is planned to continue the work started on the improvement of operational policies.

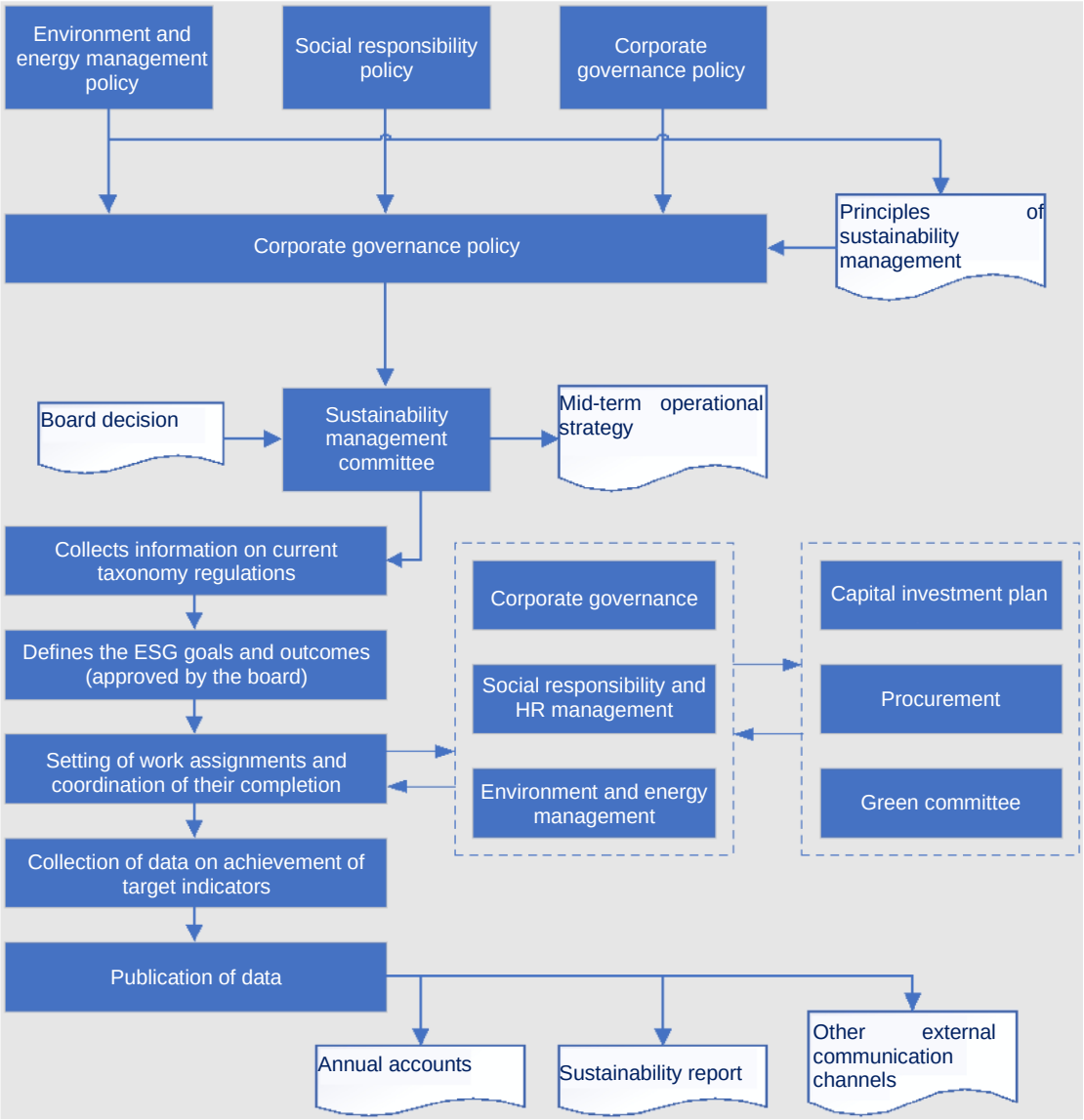
AST has developed, implemented, and maintains the company's management system in accordance with the requirements of ISO 9001:2015 (quality), ISO 14001:2015 (environment), ISO 45001:2018 (occupational safety), and ISO 50001:2018 (energy management).

The implemented integrated management system enable the effective operation of AST, in line with internationally accepted operational mechanisms for the quality management, energy management, environmental protection, and occupational health and safety, ensuring proper compliance with the requirements of laws and regulations, facilitating the identification and compliance with the preferences of clients and stakeholders, looking at the developments in the company through the prism of company processes.

During the reporting period, the parent company implemented a **sustainability management process** that encourages sustainable decision-making by integrating the principles of sustainable growth in the group's internal processes and in cooperation with its partners, balancing the business development goals with the European Union's regulatory requirements and good practices in the field of sustainability. The procedure for the sustainability management process covers the following areas:

- Environmental protection and mitigation of climate change;
- Promotion of social responsibility towards employees and stakeholders;
- Corporate governance.

Sustainability management process in the company:


Environment and energy management policy
Social responsibility policy
Corporate governance policy
Corporate governance policy
Principles of sustainability management
Board decision
Sustainability management committee
Mid-term operational strategy
Collects information on current taxonomy regulations
Defines the ESG goals and outcomes (approved by the board)
Setting of work assignments and coordination of their completion
Collection of data on achievement of target indicators
Publication of data
Corporate governance
Social responsibility and HR management
Environment and energy management
Capital investment plan
Procurement
Green committee
Annual accounts
Sustainability report
Other external communication channels

The sustainability management committee includes representatives of the units whose areas of responsibility affect compliance with the defined sustainability management principles. As part of its activities, the committee provides approvals for and coordinates certain fields of activity in accordance with the operating procedure of the green committee and other related documents. It drafts proposals for the sustainability goals and indicators to be achieved, which are approved by the AST Board. The first meeting of the sustainability management committee will take place in 2023.

Information about compliance with the principles of human rights can be found in the sections Inclusive work culture and gender equality and Human resources policy and principles.

Implementation of policy commitments in practice

GRI 2-24

The duty of the group's officials to implement and comply with AST policies is set in the regulations of the board and council of the corresponding companies, and the concluded authorisation agreements. The members of the council of the subsidiary company of the group inform its board in an appropriate and timely manner about AST policies and facilitate the implementation of AST policies in the subsidiary company. At the same time, the responsibility for upholding of the policies and their implementation in practice is determined for each of the policies developed.

If AST's policies need to be updated to take into account the context of the subsidiary's operations, or if no AST policy has been drafted in an area that is important to the subsidiary, the subsidiary drafts its own policy. The policies of the subsidiary must not conflict with AST policies. In the event of a conflict between a policy of the subsidiary and that of AST, the AST policy takes priority.

In other companies, such as the Baltic Regional Electric Power System Coordination Centre, the implementation of AST policy principles takes place to the extent provided by the amount of voting rights in the respective company.

AST and the subsidiary update their policies as necessary, but carefully assess them at least once every three years. So, for example, the IT security policy is updated if the scope of the policy is expanded or changed, if the principles of IT security change, or if new security threats are discovered, guided by external or internal IT audit recommendations, security inspections and risk assessment results, in the event of significant IT security incidents.

Processes for mitigating/compensating negative impacts

GRI 2-25

The group takes a responsible approach to mitigating and compensating negative impacts if any are created.

AST has an interactive map of processes that combines management, main business, support, and auxiliary processes, linking them to the control system associated with process management.

The processes have managers and a support team and are revised as necessary. Their relevance is assessed at least once every 3 years.

In 2022, the Risk Management Process, the Occupational Safety Management Process, the Environmental Protection Management Process, the Physical Security Management Process, the Procurement Process, and the Documentation and Information Management Process were updated at AST. The updated process flow diagrams were simplified and made more transparent, and provided with additional information that makes it easier to understand the processes and their progress. More easily accessible information about process managers and their support team.

A contract supervision process was developed to improve the understanding of the risks, duties, and responsibilities of contract supervision. When developing processes, and as part of their maintenance, improvements, and development, they undergo updates to cover the requirements of laws and regulations set for the work environment, as well as the requirements of AST. The work environment requirements are included in process descriptions (procedures), the operational and occupational safety rules, and procedures of the Technical Inspection Service.

In 2022, as in every year, in order to ensure more complete compliance of the work environment (work methods, equipment maintained, work equipment and mechanisms, personal protective equipment used, etc.) with laws and regulations, and good practices, an assessment of the work environment risks was carried out, with measures such as monthly technical training, occupational safety days, inspections for compliance with occupational safety requirements, unscheduled inspections of worker teams at their workplaces, and assessment of the operation of equipment. The results of the inspections are discussed with the workers and the specialists in charge, and are documented, with corrective and/or preventive measures prepared and taken if necessary.

To enable the monitoring on the environment and reduce the negative impact on it, internal audits, environmental and energy monitoring activities take place, and an environmental protection measures plan is implemented. Compliance with the binding laws and regulations governing environmental protection is constantly monitored. The completion of audits and event plans is followed by the preparation of reports; the people involved and in charge are informed of this, and corrective and/or preventive actions are prepared and taken if necessary.

AST participates in the Business Sustainability Council organised by Swedbank, in the Family-Friendly Workplace initiative, the Diversity is Strength movement, and the Mission Zero occupational health and safety initiative.

To build up employee involvement, a new section was created on the AST website, the Register of Ideas, in which employees can fill in a form to submit their ideas. Entries in the Register of Ideas are monitored by the Quality System Unit, in conjunction with the Communication Unit, and are handed over to the corresponding units for the assessment of the proposals and deciding on further action.

Proposals submitted to the Register of Ideas are assessed and replies to them are published in the same section of the website, in the case that the idea cannot be fully implemented. The submitted proposals are anonymous (the register is only accessible via the internal network and the IP addresses of computers are not registered in this section), unless the person submitting the proposal indicates their name.

In 2022, 7 ideas, proposals, or recommendations for improving operations were recorded in the Register of Ideas, as opposed to 13 in 2021. The ideas mostly concern improvements in AST's everyday work and working environment and are largely implemented in everyday work.

Mechanisms for asking questions and whistleblowing

GRI2-26

Whistleblowing is an opportunity to push for legitimate, honest, open, and transparent activities of organisations in the public and private sectors, using the right to express one's opinion freely. The Whistleblowing Law helps the residents of Latvia prevent violations before such violations harm public interest, while protecting whistleblowers from adverse consequences.

Aware of the importance of bringing up problematic issues associated with unethical behaviour, a whistleblowing system was established in the group and the parent company.

A Whistleblowing section was created on the AST website, where all relevant information about whistleblowers is provided. In accordance with the law, AST has approved a whistleblowing procedure, according to which, before whistleblowing or if they have questions or doubts a person can (also anonymously) receive advice from the whistleblowing contact person at AST. The information received by the contact person as part of such a consultation is confidential.

A Responsible Business Practices section was created on the external website, which contains information about the AS 'Augstsprieguma tīkls' code of ethics, about whistleblowing, management of the risks off fraud, corruption, and conflict of interest, about the procurement policy, supplier statements, privacy policy.

Compliance with laws and regulations

GRI 2-27

In its operations, the group monitors compliance with laws and regulations. The parent company has developed a procedure for monitoring the laws and regulations binding to the company.

The company uses the Single Portal for Development and Harmonisation of Draft Legal Acts (SPDHDLA) for monitoring drafts laws affecting the interests of AST. The AST unit in charge of this receives SPDHDLA notifications. According to the allocation of competences in AST, draft laws are directed to the company's units or units assigned to participate in the assessment of draft laws, as necessary. The decision of the assessment is recorded in SPDHDLA.

If changes in laws and regulations are not identified in SPDHDLA (government institutions have not sent the draft legislation to AST), then changes in laws and regulations are identified through the monitoring of laws and regulations according to the fields and competences pertinent to the company. In 2022, the AST issued an opinion on a total of 48 draft laws (23 draft laws in 2021).

All requirements of laws and regulations are implemented in AST's internal documents and control environment.

During the reporting period, as well as in 2021, no breaches of the requirements of laws and regulations were found in the group.

Membership in associations

GRI 2-28

To enable interaction with the stakeholders, the group and the parent company actively participate in associations and public organisations.

AS Augstsprieguma tīkls is a member of the following public organisations:

AST's membership in the association ENTSO-E – (European Network of Transmission System Operators for Electricity) enables it to participate in the development of laws and policy documents at the European level. 37 countries and 41 transmission system operators are represented in the association. Its purpose is to work on the liberalisation of the gas and power market in the European Union.

AST's membership in the Latvian Association of Electrical Engineers and Energy Builders (LEEA) makes it possible for the company to participate in the assessment and improvement of laws, policy documents, and standards in electric energy engineering and energy construction, in the organising of certification of personnel and training programmes, in conducting scientific research related to electric energy, in the organising of scientific and technical events, and in cooperation with education institutions working the field of electrical energy. AST representatives regularly participate in LEEA meetings to ensure the exchange of opinions on current affairs in energy, including energy security.

AST has been a member of the Latvian National Committee of the World Energy Council (WEC LNC) since 2016. Membership in WEC LNC provides access to information about research, extraction, transportation, transformation, and efficient use of energy resources, on a national and international level.

In order to maintain the quality and competence of the AST accredited chemical laboratory, and its compliance with the requirements of international standards, in May 2015, AST became a member of the Latvian Association of Testing Laboratories.

AST is a member of the European Association of Issuing Bodies. Circulation and trade of guarantees of origin of electric power in Europe is possible thanks to AIB

In 2021, AST joined Swedbank's Business Sustainability Council to share knowledge, to improve the understanding of sustainability, and together with other companies, build a more sustainable business environment in Latvia.

AST has become a member of the Baltic Institute of Corporate Governance in order to promote the exchange of information between organizations and promote the implementation of good corporate practices in Latvia's largest companies

INVOLVEMENT OF STAKEHOLDERS

INVOLVEMENT OF STAKEHOLDERS

GRI 2-29

The group evaluates and takes into account its influence on stakeholders and their influence on the group, and responsibly deals with the issues important to all stakeholders.

In preparing the sustainability report for 2022, the group relied on its understanding of key aspects of sustainability and on the assessment of stakeholders, which was carried out through surveys of stakeholders and detailed interviews between 13 January and 15 February 2023. 25 respondents took part in the survey of external stakeholders, which is 65% of the number of respondents initially approached.

AST maintains a database of external stakeholders, which includes:

1. Contract partners (designers, builders, construction supervisors, suppliers and service providers);
2. Clients (users and traders within the power transmission system);
3. Other partners.

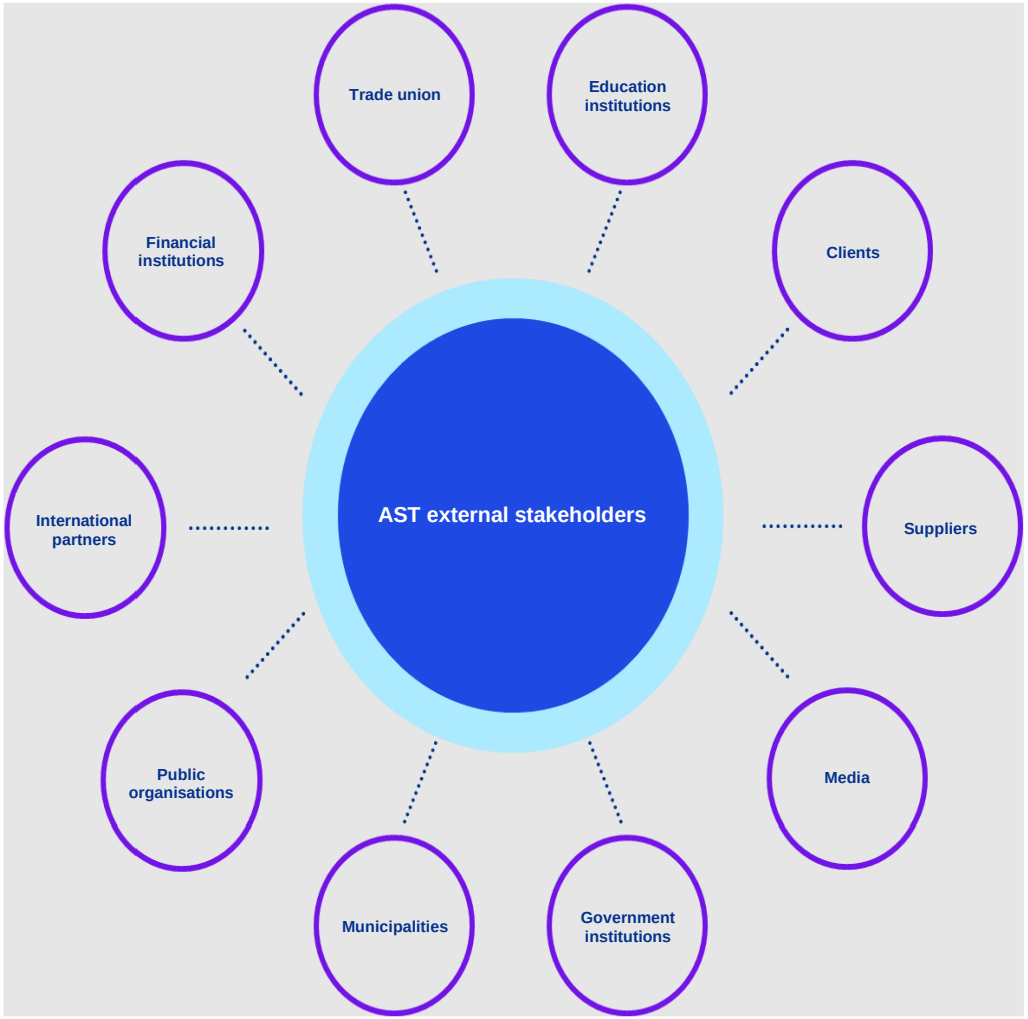


Figure No. 1. AST external stakeholders

AST internal stakeholders

1. Shareholder and Supervisory Board
2. Board
3. Employees

The involvement of AST's stakeholders aims to improve the company's performance for all stakeholders and the society as a whole. AST regularly organises public meetings with its clients, suppliers, and partners to inform them about industry news and current affairs of the company (with events like the Electricity Market Forum, meetings with organisations involved in design activities, meetings with building and repairs contractors). Before their approval, public consultations are regularly held, covering draft regulations governing the operation of the sector; public discussions of development projects are organised, and other activities take place in cooperation with stakeholders.

Meanwhile, Conexus developed a general corporate social responsibility policy with the aim of taking the best actions to promote the implementation of the company's strategy and sustainable development, as well as to integrate social and environmental aspects in its business and relations with stakeholders.

A review of the essential aspects of sustainability within the Conexus management group took place in 2021, reassessing the position of the aspects on the Conexus influence axis according to the current situation. In 2022, the Conexus council re-examined the key aspects of sustainability and approved them without changes. Detailed information about the process of determining the material sustainability aspects is provided in the section Conexus strategic sustainability framework.

KEY AREAS OF SUSTAINABILITY

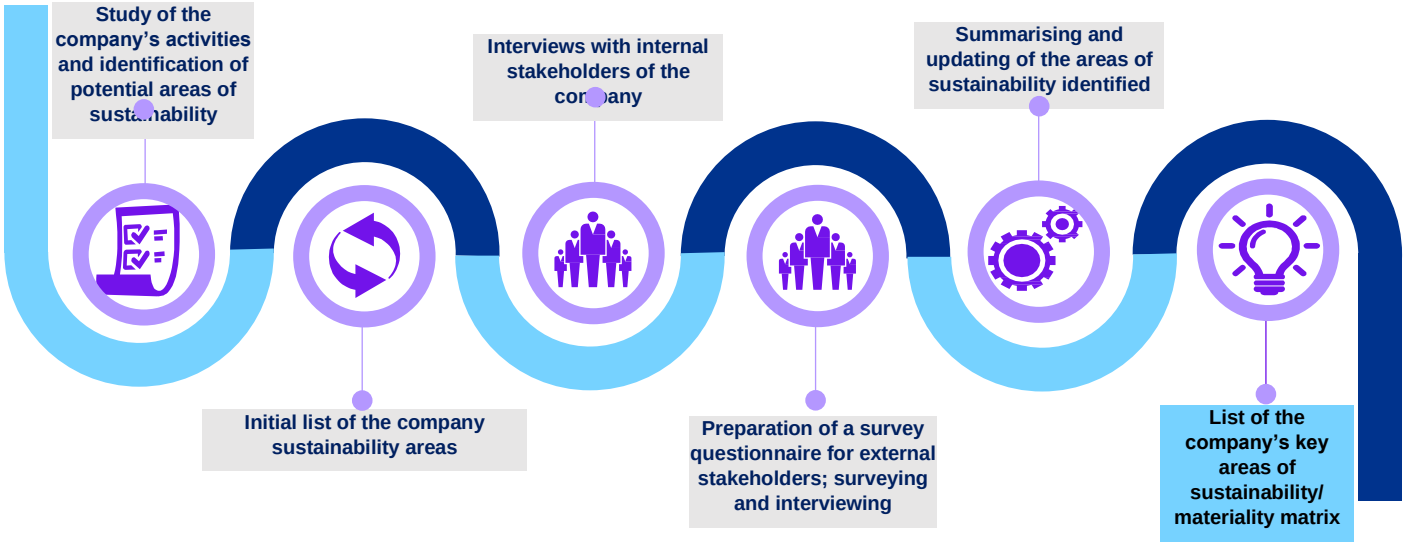
KEY AREAS OF SUSTAINABILITY

Process of identifying key areas

GRI 3-1

AST's key areas of sustainability were determined in six steps, which comply with the requirements of the GRI 3: Material Topics standards governing the identification of material sustainability aspects and the involvement of stakeholders. A summary of the process is shown in Figure No. 2.

Figure No. 2. Process of identifying key areas of sustainability



Identification and validation of areas of sustainability

First, the fields of the parent company's operations, the current problems of the industry, the sustainability reviews prepared in recent years, and practices in the electric power sector were analysed, and the areas of sustainability were identified, covering the potential environmental, social, and economic aspects of AST.

Obtaining the opinions of internal and external stakeholders

The areas of sustainability identified were inspected and clarified in interviews with representatives of the AST Supervisory Board and the Board and heads of certain functions, with assessments by these internal stakeholders of the proposed areas of sustainability, prioritising the most important ones. Based on the conclusions of the internal interviews, the proposed areas of sustainability were optimised and combined into key areas of sustainability.

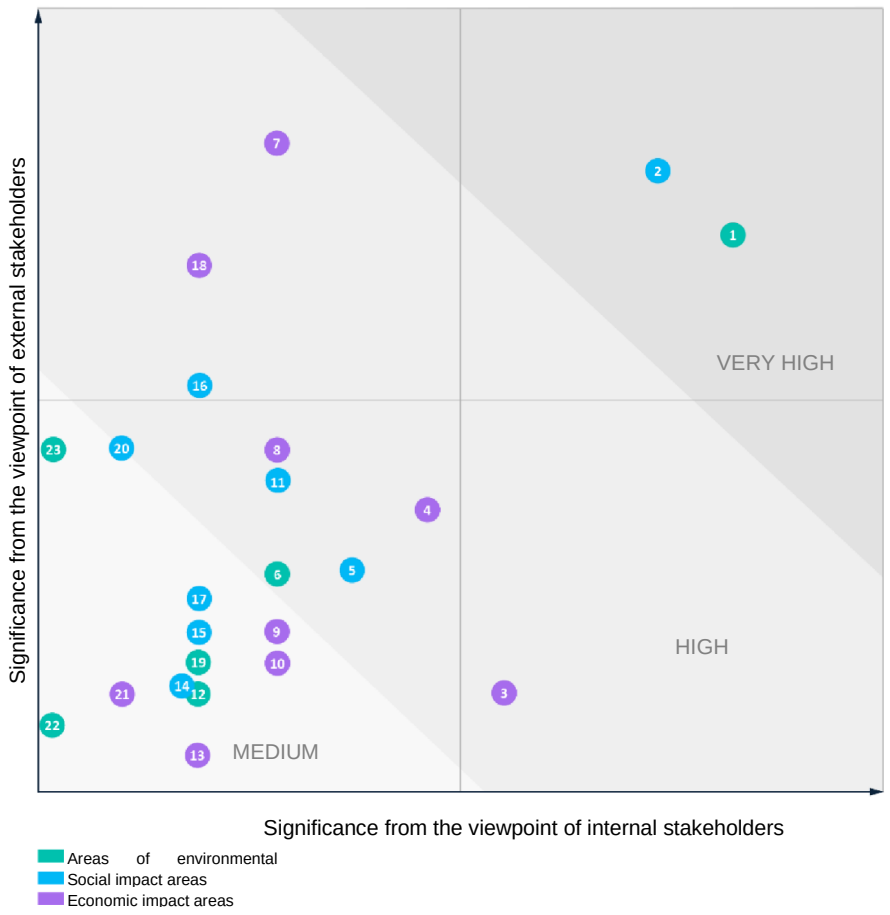
An online questionnaire was prepared for the survey of external stakeholders. Answers about the company's priority areas of sustainability were received from 25 respondents. Respondents were also given the opportunity to add additional topics in each of the areas, and to provide an opinion on AST's sustainability performance.

In addition to the questionnaires, certain external stakeholders (e.g., financial institutions, clients, public organisations) were interviewed in detail, to get a broader picture of the connection between the activities of the parent company and the industry and its policy planning, and to identify opportunities for improvement and potential for sustainable growth.

Key areas of materiality matrix

The stakeholder opinions of the AST material topics obtained from the external and internal stakeholder questionnaires and interviews were summarised and shown in Figure No. **3**.

Figure No. 3 AST key areas of sustainability matrix



1. Sustainable management of energy supply infrastructure
2. Assurance of the continuity of the energy supply service
3. Digitisation of processes to improve operational efficiency and data quality
4. Secure connectivity of power supply with the European energy supply
5. Support for employee growth and excellence
6. Promoting the development of a green electricity market
7. Indirect economic impact
8. Direct economic impact
9. Prevention of conflict of interest and corruption
10. Fair and transparent selection of partners and suppliers
11. Occupational health and safety
12. Gradual reduction of emissions generated by managed assets
13. Incentivising of the training of young professionals in the industry
14. Inclusive work culture and gender equality
15. Employee well-being and social protection
16. Service security and responsibility
17. Education of the public on sustainability in electricity supply
18. Provision of a balancing service
19. Responsible use and recycling of resources
20. Effective and coordinated emergency management
21. Support for scientific research in the industry
22. Mitigation of the impact of maintaining transmission assets on biodiversity and
23. Reduction of energy losses

Both external and internal stakeholders consider the sustainable management of the energy supply infrastructure (including management that is efficient, environmentally friendly, and that the use of renewable resources) and the assurance of the continuity of the energy supply service to be the most material areas of sustainability at AST.

The opinion of material sustainability areas at AST by external and internal stakeholders is relatively similar, but there are some fields where there are differences. For example, internal stakeholders consider the digitisation of processes to improve operational efficiency and quality of data to be significantly more important than external stakeholders do. Meanwhile, external stakeholders consider indirect economic impact to be very important, with a particular emphasis on ensuring market stability and predictable availability of services. In these areas, external stakeholders focused not on the technical aspects of the availability of electric power, but on the significant role of AST's activities in enabling the development of the economy, in the power sector and in general. In the context of this, regional aspects were also emphasised as important (for example, successful synchronisation and desynchronisation of the power transmission network, provision of a balancing service and stabilisation of the power market).

Both the stakeholder groups were least interested in the mitigation of the impact of maintenance of transmission assets on biodiversity and landscapes.

List of key areas

GRI 3-2

After identifying AST's most important material areas and creating a matrix, the parent company assessed the subsidiary's sustainability areas shown in its sustainability report and annual accounts for 2021, creating a consolidated key materiality areas matrix for the group. The consolidated materiality matrix for AST and Conexus's key sustainability areas was prepared using the average values of external and internal ratings in each company's key sustainability areas.

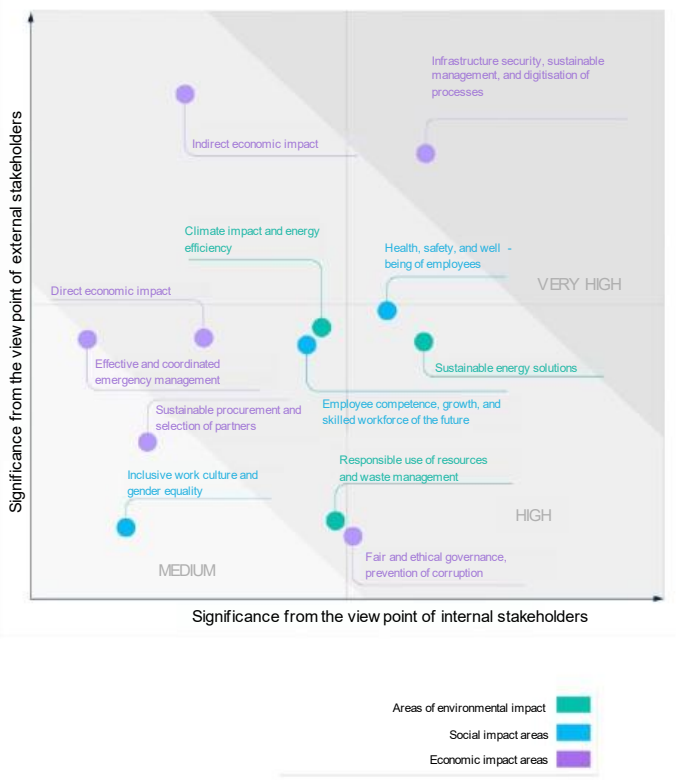
In addition, there were AST key sustainability areas that did not overlap with Conexus' key sustainability areas, but were included in the consolidated matrix, as they were considered essential:

- Direct economic impact;
- Indirect economic impact;
- Effective and coordinated emergency management.

Areas related to the mitigation of climate change and energy loss are relatively undervalued in the AST stakeholder assessment, but given their mutual dependence and global prioritisation, they remain among the most material areas.

Figure No. 4. Group consolidated materiality matrix and sustainability areas

Consolidated sustainability areas	Key sustainability area name
Infrastructure security, sustainable management, and digitisation of processes	Field of economic impact
Employee competence, growth, and skilled workforce of the future	Social impact
Health, safety, and well-being of employees	Social impact
Sustainable energy solutions	Environmental impact
Climate impact and energy efficiency	Environmental impact
Sustainable procurement and selection of partners	Field of economic impact
Inclusive work culture and gender equality	Social impact
Responsible use of resources and waste management	Environmental impact
Fair and ethical governance, prevention of corruption	Field of economic impact
Indirect economic impact	Field of economic impact
Direct economic impact	Field of economic impact
Effective and coordinated emergency management	Field of economic impact



ENVIRONMENTAL IMPACT

ENVIRONMENTAL IMPACT

GRI 3-3

The group's environmental philosophy and attitude towards the environment include the principles of environmental management, responsibility, and key activities in the field of environment, determining the choice of environmentally friendly and efficient technologies and promoting the sustainable growth of the group.

The environmental protection principles of the parent company are as follows:

- organise own activities and plan own development in accordance with the principles of sustainable growth, taking into account the economic and environmental aspects and compliance with the Latvian law governing the field of environmental protection;
- identify potential environmental risks and minimises their negative impact on the environment in all fields of the company's business;

A regular review of environmental risks is carried out once every 3 years, with the ongoing monitoring of environmental risks, supervising the compliance of the company's operations with the requirements of applicable laws and regulations, properly maintaining the transmission assets to prevent environmental pollution, in accordance with the risk management concept.

- implement the best technical methods available, reduce the release of pollutants into the environment, the impact on climate change, and the amount of generated waste.

In the preparation of procurement procedure regulations, the requirements of laws and regulations, standards, and experience are considered, so that the necessary capital investments are more efficient and sustainable.

- pursue continuous improvements in the environmental performance of each unit and the company as a whole, encouraging the efficient use of resources;
- in development planning, assess the impact of investment projects on the environment, preventing damage to the environment and the general public, and ensuring the maximum reduction of environmental damage during the construction and the use and closure of the facilities planned;
- maintain and improve the environmental management system in accordance with the requirements of the LVS EN ISO 14001 and LVS EN ISO 50001 standards;

- work on and promote the preservation of biodiversity; assess and supervise the impact of the company's business on protected natural areas, species, and habitats.

When planning and performing work on power transmission lines, nature reserves and the rules in effect within them are considered, including the technology and methods of work, bird nesting periods, etc.

- ensure the environmental competence of employees in charge, promoting environmental awareness in the employees working in all of the company's facilities, and informing employees about the critical environmental aspects of the company's business;
- regularly and openly inform the public and stakeholders about the company's environmental activities;
- act in an environmentally friendly manner and encourage partners and the society to act in an environmentally friendly manner.

The subsidiary's environmental management is based on the assessment of the environmental impact of the activities performed and the planning and implementation of the measures to reduce their impact. The subsidiary has implemented an environmental management and energy management system to ensure sustainable and environmentally friendly operations, to pursue the development of its natural gas storage and transmission systems, and to reduce environmental risks related to the company's operations.

The management systems implemented in the group are based on the ISO 14001 environmental management standard, and on the requirements of the ISO 50001 energy management standard, with corresponding certifications. An internal audit takes place every year, with random checks of employee understanding of the matter and of the work performed in accordance with the requirements of the standards. In 2022, a total of 48 units were audited, and 43 substations, 6 administrative technical facilities of the Line Service, and 13 administrative technical facilities of substation groups were inspected and assessed. Meanwhile, in 2021, a total of 48 units were audited, and 44 substations, 6 administrative technical facilities of the Line Service, and 13 administrative technical facilities of substation groups were inspected and assessed. Following these standards is voluntary; however, doing so points at the group's responsible attitude towards the environment, and its efforts to continuously improve its environmental performance.

- Much attention is paid to the management of environmental aspects and environmental impact of the transmission of natural gas, where six category C polluting activity certificates were received, with a seventh certificate received for the administrative facility, as well as to the storage of natural gas in the underground gas storage facility, which has a category B polluting activity permit and a greenhouse gas emission permit. Conexus participates in European Union Emissions Trading System.
- All the activities take place in accordance with the conditions set in the corresponding permits and certificates. Pollution monitoring and the supervision of the limits set for polluting substances take place. The group pays a natural resource tax for the pollution created.

- In 2022, as in 2021, no environmental violations were detected, and the conditions set in the environmental laws and regulations were observed.

Sustainable energy solutions

AST-1

The purpose of the environmental protection policy of the group and the parent company is to continuously improve the environmental performance of the group and the parent company by preventing or reducing their harmful effects on the environment, through efficient use of natural resources and implementation of the best available technical methods in all fields of the group's and the parent company's business.

The group's energy management system includes power transmission, as well as the storage and transmission of natural gas, mainly associated with the consumption of power in power-consuming equipment, consumption of natural gas in equipment that burns natural gas, as well as energy used to operate motor vehicles and machinery. To continuously pursue improvements in the energy efficiency of the group and the parent company, there is monitoring of the consumption of energy, setting annual energy efficiency improvement goals and determining the measures to achieve them.

When planning the activities of the parent company for the current period, programmes are developed for performing specific work to reduce the negative impact of the company business on the environment, and to increase the safety and performance of the power supply sector. At the end of each period, a report is prepared on the work carried out and the indicators achieved as a result. These reports cover the completion of the environmental management programme and the completion of the energy management programme.

In 2022, to reduce the risk of environmental pollution, AST implemented environmental management programme No. 48, as part of which the surface and underground oil drainage pits of transformers were renovated. A total of 517 transformers are installed in AST's 139 substations, of which 26 are automatic transformers and 490 are transformers; underground oil drainage pits were renovated in two substations: No. 208 Šķirotava and No. 215 Vangaži. Also, transformer oil drainage pits for 1 autotransformer and 5 transformers were renovated in substations No. 215 Vangaži, No. 17 Suntaži, No. 140 Bišuciems, No. 112 Mīlgrāvis, No. 87 Viļaka. 3 separators were installed in substations No. 215 Vangaži, No. 112 Mīlgrāvis, No. 87 Viļaka. A project started for the restoration of the surface oil drainage pit for the transformers of substation No. 169 Ugāle. For comparison, underground oil drainage pits for 4 transformers and 1 autotransformer were renovated, and 2 separators were installed in 2021.

Obsolete transformers were replaced to increase energy efficiency. The new transformers are selected in compliance with the eco-design requirements (Commission Regulation (EU) 2019/1783 of 1 October 2019 amending Regulation (EU) No 548/2014 on implementing Directive 2009/125/EC of the European

Parliament and of the Council with regard to small, medium and large power transformers) that ensure the reduction of technical losses. In 2022, Energy Management Programme No. 7 was implemented, as part of which a total of 13 power transformers and 2 automatic transformers were replaced that year; the life cycle losses of these transformers amounted to 292,148.88 MWh, and the annual energy savings, respectively, were 5,448.435 MWh. In 2021, with the implementation of Energy Management Programme No. 6, a total of 10 transformers were replaced; the life cycle losses of these amounted to 114,639.97 MWh, and the annual energy savings, respectively, to 2292.80 MWh. Calculation of the energy savings was performed using the engineering calculation method.

In parallel with the approved work plans, studies take place researching innovative solutions that could make it possible to reduce the negative impact of economic activities on the environment and the climate. To improve energy efficiency, the temperature in the unmanned control rooms of substations was reduced to +12 °C during the heating season (the requirement was set in ID-82-20). In 2022, a pilot project for the supervision, control, and monitoring of heating equipment (including control by users) was implemented in substation No. 157 Ķemeri. Roofing and roof insulation replacement was done at 4 sites, which in total produced 125 MWh in energy savings per year (total area of the sites: 835.9 m2). At substation No. 80 Gulbene, solar panels with a peak generation value of up to 14 kW. It will be possible to assess the actual generation values in 2023.

Conexus is also constantly working on finding more efficient solutions, looking into the best available solutions for technological improvements, to find ways to reduce the amount of its greenhouse gas emissions.

Key related activities and development projects:

1. Modernisation project of the Inčukalns UGS compressor unit with the aim of reducing NO_X, CO_2, and CH_4 emissions, and improving energy efficiency;
2. Inčukalns UGS gas collection unit modernisation project with the aim of reducing CH_4 emissions;
3. Natural gas transmission network repairs to reduce CH_4 emissions and improving gas regulation station equipment are continuously planned to improve energy efficiency.

Energy use and its efficiency

GRI 3-3, 302-1, 302-3, 302-4.

To conduct its main business, the group consumes certain energy resources, such as electricity, heat, fuel, gas. The consumption of these resources is recorded and monitored so that it is possible to analyse the data collected and to draw conclusions about consumption trends and reasons for possible changes, to identify activities that provide an insight into the adverse aspects of consumption and possibility for significant resource savings.

Key energy consumption and group energy consumption indicators:

	Group		
	2022	**2021**	**2020**
Total energy consumption in the group, MWh (including natural gas (for heating and production processes), fuel and power)	**138,405**	**178,047**	**172,254**
of which power consumption, MWh	14,694	16,162	14,593
of which heat energy consumption, MWh	117,483	155,992	155,121
Underground gas storage energy consumption indicator	**0.0102**	**0.0105**	**0.0101**
Indicator = natural gas consumption for the production processes of Inčukalns UGS (m^3/year)/amount of natural gas pumped at Inčukalns UGS (m^3/year)			
Natural gas transmission system energy consumption indicator	**0.048**	**0.054**	**0.016***
			0.050
Indicator = natural gas consumption for the processes of the transmission system (m^3/year)/ amount of natural gas pumped through the transmission system (m^3/year)			
Share of losses and production consumption, %/year	**2.08**	**2.2**	**2.3**
Indicator = share of AST losses in the power transferred by AST (within the 110/330 kV network), MWh			

Key energy consumption and parent company energy consumption indicators:

	Parent company		
	2022	**2021**	**2020**
Total energy consumption, MWh (including natural gas (for heating and production processes), fuel and power)	**15,640**	**16,724**	**16,726**
of which power consumption, MWh	9,747	10,640	8,704
of which heat energy consumption, MWh	2,061	2,641	2,156
Energy transmitted **Proportion of production consumption losses, %/year**	**2.08**	**2.2**	**2.3**
Indicator = share of AST losses in the power transferred by AST (within the 110/330 kV network), MWh			

Energy consumption by the parent company and its energy efficiency

The main business of the parent company is power transmission, and electricity is the main component for its consumption of energy. Total power transmitted by AST in 2022 was 9,384,997 MWh, with transmission losses at 2.08%.

year	2022	2021	2020
Power transmitted, MWh	9,384,997	9,408,398	8,709,831

The total recorded production consumption for own needs in substations in 2022 was 7,458,476 kWh, a 9.72% decrease compared to 2021 when such consumption was 8,261,341 kWh.

The total recorded utility consumption for own needs in substations in 2022 was 2,288,548 kWh, a 3.76% decrease compared to 2021 when such consumption was 2,378,058 kWh.

year	2022	2021	2020
Production consumption for own needs, kWh	7,458,476	8,261,341	7,530,079
Utility consumption for own needs, kWh	2,288,548	2,378,058	2,153,970

In 2022, a conceptual decision was adopted to include the consumption of power by the administrative technical facility at Dārzciema street 86, Riga, in the data for the consumption for own needs. This represents additional power consumption, for which the data were recalculated (summed up) for the entire reporting period of 2022, 2021, and 2020.

The monitoring of energy efficiency takes the form of monthly monitoring of consumption, with the most significant improvements made by planning and making capital investments, described above, in the Sustainable energy solutions section.

The heat energy from district heating supply is used by AST in 2 facilities: at Dārzciema street 86, Riga (where AST's administrative and technical facility is located) and at Jātnieku street 95, Daugavpils.

The administrative technical facility at Dārzciema street 86 in Riga, consists of 48 structures with a total area of 13,262 m2, whose energy efficiency class varies from C to F. The structures were built in different periods, and the need for their use changed over time, with reconstructions and adaptations; however, in general, they do not meet the modern requirements for energy performance, service, and comfort. Therefore, a decision was made to rebuild the entire block of the AST administrative and technical facility.

The new office building is designed to be an almost zero energy building; the standard does not specify a building energy efficiency class for the technical premises. At the moment, the construction design is in development. As part of it, the energy efficiency performance of the buildings, the use of solar energy and other improvements are considered, saving at least 30% of energy.

Natural gas is used for heating and producing hot water in one of the AST facilities in the Grobiņa Office of its Line Service. This type of heating was set up and started to be used in November 2020. In 2022, it was possible to significantly optimise the heating system and save 26.6% compared to 2021.

Year	2022	2021	2020
Energy consumption, natural gas, MWh	55	75	12

Fuel at AST is used to run vehicles and machinery, as well as generators. Fuel consumption by vehicles and machinery is monitored monthly for every vehicle and piece of machinery, the consumption data then compared with the consumption standard for the relevant vehicle group.

The total listed mileage in 2022, as compared to 2021, increased by 6.03%, and the total calculated consumption efficiency in 2022 decreased by 0.39% compared to 2021.

year	2022	2021	2020
Average mileage, km	117,108	110,444	122,577
Average consumption efficiency, l/100 km	26	26	28

Overall, AST assessed 10 vehicle groups (without mechanisms that record motor-hours worked whose performance is currently impossible to evaluate), the lowest performance indicator in 2022 was for the DD light commercial vehicle at 6 l/100 km, and for the BE light commercial vehicle at 7 l/ 100 km, while the highest performance indicator was for the BE aerial lift at 69 l/100 km, BE cargo vehicle over 3.5 t at 42 l/100 km; the values are similar to 2021 and 2020.

Energy consumption and energy efficiency of the subsidiary's main business

The most important energy resources used by Conexus as part of natural gas storage are natural gas and power, which are consumed for production processes, pumping natural gas into the underground gas storage facility. Meanwhile, the most important energy resource for natural gas transmission is natural gas, which is consumed to enable the production processes involved in the transmission of natural gas. Information about the power consumed is obtained from the power supplier, while information on heat energy expressed in MWh is calculated using the monthly heat capacity of natural gas.

Given that the most important energy resource used to enable the production processes of Conexus is natural gas, the corresponding energy consumption indicators are expressed as natural gas consumption versus the amount of natural gas pumped into the underground gas storage facility, and natural gas consumption versus the amount of natural gas pumped into the transmission system.

In 2022, the energy consumption indicator for the underground gas storage facility fell compared to 2021, because in 2022, three upgraded natural gas pumping units were already working in compressor station 2.

The gas transmission energy consumption indicator for 2022 is lower than for 2021. To transport natural gas, it needs to be heated, which is done with the help of production equipment that consumes natural gas. With automatic adjustments of the equipment, it is not necessary to consume more natural gas to support the process. Improvements are also created by the initiated measures to provide thermal insulation for the equipment of gas regulation stations.

The modernisation of production equipment is planned and implemented in order to minimise the consumption of energy as part of the storage processes, In 2022, the modernisation of two 12z330 energy-intensive gas pumping units for the processes of the underground gas storage facility was completed, and the modernisation of two more 12z330 energy-intensive gas pumping units began. This will result in at least 5% of the amount of natural gas consumed per unit so far.

Given that methane is a potent greenhouse gas, reducing its emissions can slow climate change. Conexus actively follows methane emissions management and reduction initiatives, and in 2022, it continued its work on improving the accounting of methane emission sources and emission quantities.

Climate impact and emissions

305-1, 305-2, 305-3, 305-5

For the uniform accounting of the group's operational activities and the assessment of the impact on the climate, AST and Conexus recalculate their performance indicators in tonnes of CO_2 equivalent. The estimated amount of emissions makes it possible to understand and compare the share and impact of each activity.

A summary of the total CO_2 eq. t emissions generated, i.e., the environmental footprint of AST and Conexus, for 2022 is shown in the table below.

	Scope I	Scope II	Scope III
Total emissions in the group, t CO2 eq.			
2022	37,304.62	1,157.09	-339.73
2021	45,876.82	1,315.51	-358.92
2020	52,100.95	1,246.07	-150.78
Emissions generated in the parent company, t CO2 eq.			
2022	120.62	1,157.09	-339.73
2021	398.82	1,315.51	-358.92
2020	125.95	1,246.07	-150.78
Emissions generated in the subsidiary, t CO2 eq.			
2022	37,184.00	NA	NA
2021	45,478.00	NA	NA
2020	51,975.00	NA	NA

Emissions generated by the parent company

The biggest GHG emissions in the parent company are in Scope II, which consist of power transmission losses and heating supply, as well as unexpected sulphur hexafluoride leaks, which are shown in Scope I. In 2022, AST transmission losses decreased from 2.2 to 2.1%, while the energy consumed for heat supply fell 21.9%.

The parent company's Scope I calculations include emissions from sulphur hexafluoride SF6 gas leaks, natural gas, transportation, diesel generators, and refrigerants. In the Scope I section, it was possible to avoid sulphur hexafluoride leaks, with reduced use of diesel generators and less natural gas consumption.

The parent company's Scope II calculations include emissions resulting from transmission losses and emissions caused by the heating supply (from district heating). The methodology available on the website of the Ministry of Environmental Protection and Regional Development is used for the calculation of Scope I and II emissions.

The parent company's Scope III calculations include the amount of waste generated during its operations, including the management of household, sorted, construction, hazardous waste, and scrap metal, and the management of insulating oil. Emissions caused by household waste, construction and hazardous waste are included in the calculations with a plus sign. In oil management, a large part of the used insulation oil is handed over for further processing and returned to economic circulation. Scrap metal and sorted waste are also sent for further recycling. Because of this, these categories are listed with a minus sign in the calculations. The calculations included the UK government's published GHG emission factors.

Changes in the emissions generated by AST in recent years show a general trend towards a decrease in emissions. A comparison of the amount of emissions produced in 2021 to that produced in 2022 reveals that the total volume of emissions, which is a sum of all three scopes, was 937.8 t CO2 eq., a decrease of 30.8% compared to the sum of the three scopes in the previous period, which was 1,355.41 t CO2 eq., a considerable reduction. It is mainly a result of the high amount of Scope I (greenhouse gas emission, emissions from heating equipment, and emissions from diesel generators) emissions in 2021, which can be explained by the consequences of leaks of sulphur hexafluoride gas SF 6 and its mixtures. If one discounts these leaks and compares 2020 (1,221.24 t CO2 eq.) to 2022 (929.49 t CO2 eq.), there is a 23.19% reduction in the total calculated emissions across all the three scopes, which shows an overall trend towards reducing the pollution created.

In previous years, the categories of waste managed by AST were not included in the scope; they were included in AST starting in 2022, and a recalculation was also made for previous years. No changes were made in the recalculations in the report for the previous period.

Emissions generated by the subsidiary

The main greenhouse gases resulting from and associated with Conexus operations are methane and carbon dioxide. The main sources of greenhouse gas emissions for Conexus are direct methane emissions as part of repairs and everyday operations of the natural gas transmission and storage systems, and carbon dioxide emissions from incinerators in gas regulation stations and compressor incinerators, and in turbines, for underground gas storage processes. The emissions arise from planned activities.

In the process of the transmission of gas, emissions arise from: the actuation of natural gas pneumatic taps, testing of pneumatic regulators, pressure reductions in gas regulation stations, venting of natural gas from facilities, purging of natural gas purification devices, natural gas leaks, natural gas purged from gas pipelines during repairs, repairs and replacement of fittings, clean-up of accidents and hydraulic deposits, and utility operations, such as burning natural gas for production needs and indoor heating.

In the process of the storage of gas, greenhouse gas emissions arise from: setting up a flow line, blowing pipelines with gas, removing condensate from various equipment, starting gas motor compressors, partially reducing gas pressure in gas lines and equipment, purging the connecting pipelines of the gas treatment plant (system) of the air-gas mixture, opening, and closing of the shut-off valve, performing geophysical studies. Emissions also occur as a result of leaks in the shut-off devices of parts of gas pipelines, compressor leaks, leaks in wellhead fittings, inter-column gas leaks, removal of gas from motor compressors, gas/air cooling equipment, and from equipment that burns natural gas for production needs and indoor heating.

The most significant source of greenhouse gas emissions of methane in the subsidiary is the natural gas emitted during repairs in the natural gas transmission system. In 2022, there were more methane emissions arising from processes at Inčukalns UGS: direct emissions, leaks, incomplete combustion. Meanwhile, the most significant source of carbon dioxide emissions is the use of production equipment— compressors and turbines—for the processes taking place in the underground gas storage facility, pumping in natural gas.

The subsidiary does not plan calculations made within scope II and III for the year 2022, because the calculation methodology is currently still in development, meaning that the emissions calculations are still not shown.

Responsible use of resources and waste management

GRI 301-1, 301-2, 303-1, 306-1, 306-2, 306-3, 306-4

Extraction and use of water

Water resources are consumed, obtained from underground extraction sources and from water management companies, to enable the business activities of the group. The consumption of water by the group depends on the scope and type of the work performed. As part of water management, the group monitors water consumption and takes measures to reduce water consumption. Water is used for utility purposes only.

In the parent company, the amounts of water extracted and drinking water treated for the purposes of power transmission are small and do not require permission from environmental institutions. Despite this, the parent company monitors drinking water by regularly testing the water criteria and ensuring their compliance. In accordance with the principle of cooperation, in some locations, the parent company provides drinking water to the neighbouring residential infrastructure.

In the underground gas storage facility, water is extracted from five boreholes, and used for operational processes and internal consumption. The maximum possible amount of water extracted for production processes and household needs is regulated, and set at 43,000 m^3 per year. The water used in the underground gas storage facility is properly treated and returned to the environment.

In the facilities of the power and natural gas transmission system, water is obtained from utility service providers. Drinking water in the facilities of the power and natural gas transmission system is purchased from an external supplier.

Meters are used to record the amount of underground water extracted, while information on the amount of water received from external water suppliers is provided by the suppliers.

The table below shows the consumption of water by the group and the parent company, as received from service providers and from local sources, and the amount of wastewater managed in 2022.

	Group		
	2022	**2021**	**2020**
Total water extraction, m^3	**15,463**	**14,666**	**19,031**
of which groundwater extraction	7,125	7,545	9,708
of which the extraction of drinking water from an external supplier	8,338	7,121	9,323
	Parent company		
	2022	**2021**	**2020**
Total water extraction, m^3	**7,627**	**6,483**	**9,182**
of which groundwater extraction	501	975	1,347
of which the extraction of drinking water from an external supplier	7,126	5,508	7,835

Parent company: water extraction and consumption

Water consumption, sewer, and rainwater drainage data are collected from all AST substations and administrative centres. In general, to enable AST operation, water is delivered by centralised water supply providers, with contracts for receiving the service signed with these providers; furthermore, at three AST substations, water supply is provided from local water sources (well, borehole, wellpoint). The water is used for utility purposes and in the operation of transmission assets and their maintenance. The maintenance of production and other equipment depends on the work to be performed, the amount of work performed using this equipment, and how often it is performed. This has an impact on the water consumption trends.

Water extraction and treatment facilities are maintained in accordance with the annual environmental monitoring and environmental protection measures plan for 2022; the planning of this work is organised by AST in accordance with the contracts concluded for the period in question.

In accordance with the environmental monitoring plan for 2022, in order to monitor the quality of drinking water at water extraction sites, drinking water analyses took place at the Tume, Rēzekne, Viļaka, and Gulbene substations, and the water extraction and supply system maintenance was carried out, which included disinfection and flushing of the water supply systems, inspections of the operation of water extraction and supply equipment, and the replenishment of reagents in the Gulbene, Rēzekne, and Viļaka substations. Changes in iron values can be observed compared to 2021, which can be explained by a decrease in water consumption, so it is planned to improve the indicators for the substations Gulbene and Viļaka in 2023, by replacing the fill in the filtration riser and replacing the salt tank with a larger one.

AST's water consumption records show a constant trend towards reducing the consumption of water, which can be explained by changes in the organisation of work, including distance working.

Subsidiary: water extraction and consumption

Water consumption in the Conexus Inčukalns underground gas storage fluctuated, and it is expected that this trend will persist in the coming years, as various projects have begun and are ongoing in the storage facility, including technological improvements aimed at making the processes more efficient and reducing the consumption of resources.

Conexus uses water in its production processes and on its administrative premises. All activities with wastewater at Inčukalns UGS take place in accordance with a permit that defines the permissible amount of wastewater and the level of pollution, with strict conditions for reducing the impact of wastewater

disposal on the environment. As part of its activities in 2022, and in 2021, the subsidiary did not exceed the specified amounts of drinking, industrial, and rain water, as well as polluting substances.

Wastewater management

The economic activity of the group and the parent company generates wastewater. Industrial and domestic wastewater is generated as a result of the production processes, of ensuring safe natural gas storage, as well as power and natural gas transmission processes. The rainwater occurring at the site is also treated in the underground gas storage. Industrial (production) wastewater arises from the extraction of gas from the underground gas storage facility: the water is separated from the gas, and it is necessary to use certain chemicals to prevent the formation of hydrates; these chemicals are a source of water pollution. The risk of underground pollution is prevented by testing the industrial wastewater, then returning it underground (by pumping it back into the wells).

In terms of wastewater treatment in AST's biological treatment facilities, no permits from environmental institutions are required due to the amount of wastewater treated; however, AST ensures that it complies with the wastewater treatment regulations and, where possible, uses municipal utility line connections. In accordance with the principle of cooperation, in some locations, AST provides sewer services to the neighbouring residential infrastructure.

	Group		
	2022	**2021**	**2020**
Total amount of wastewater, m ^{3}	**51,965**	**40,360**	**38,825**
of which wastewater treated in local treatment plants, m^3	31,271	29,839	26,207
of which wastewater handed over to service providers for proper treatment	10,963	10,521	12,618
	Parent company		
	2022	**2021**	**2020**
Total amount of wastewater, m ^{3}	**10,662**	**10,053**	**13,409**
of which wastewater treated in local treatment plants, m^3	911	1,107	2,168
of which wastewater handed over to service providers for proper treatment	9,751	8,946	11,241

Waste management

301-2, 306-1, 306-3, 306-4

The economic activity of the group generates household waste, biological waste, recyclable materials, and hazardous waste.

Hazardous waste at AST is mainly a result of the maintenance of the power transmission network, while household waste and sorted waste come from everyday business activities. The amount of waste coming from the maintenance of the power transmission network can vary from time to time, as the specific maintenance tasks depend on the technical specifications, and maintenance requirements and intervals set for each piece of equipment.

To reduce its impact on the environment, AST provides waste sorting options in its administrative buildings and technical centres. The waste management procedure in effect in Latvia does not impose a duty to list all waste flows, and waste management is carried out according to a specific schedule or on-demand, which includes not always considering the full level of the waste containers.

Scrap metal arises in AST operations in 2 ways: when reviewing stocks of materials related to economic activity and as part of capital investment projects involving the replacement of structures or equipment. The work related to the repair and replacement of structures or equipment varies, and thus the resulting amount of metal scrap differs as well.

The overall amount of unsorted waste generated as a result of AST operations decreased from 176 t in 2021 to 155 t in 2022, 12% less compared to 2021, while the amount of waste sent for recycling decreased from 28.79 t in 2021 to 24.04 t in 2022, 16% less year-on-year. The general trend shows a reduction in the amount of waste generated in everyday business, which could be explained by the employees being allowed to work partially from home.

Meanwhile, the amount of household waste produced by Conexus increased in 2022, and this is explained by the fact that prior to the spring of 2022, the waste generated on the leased premises used to accommodate the administrative staff was not included in the waste records.

In terms of the amount of construction and metal waste generated by AST, however, this explanation cannot be used, because the quantities of such waste depend on the projects and renovation work planned to support the main business of AST. However, the amount of construction waste decreased from 32.2 t in 2021 to 29.34 t in 2022, 9% less compared to 2021, while the amount of scrap metal disposed of increased from 1111 t in 2021 to 1378 t in 2022, 24% more compared to the amount of scrap metal disposed of in 2021.

The general waste categories in the group and the corresponding amounts are listed in the table below; all the categories of waste are managed in accordance with the current legislation. By concluding an appropriate contract and handing over the household waste and sorted waste to a waste management company

that has the right to manage household waste in the area in accordance with municipal regulations. Hazardous waste management is performed by companies that have a permit for handling hazardous waste. In the case of scrap metal, it is handed over to a contractor with an appropriate license allowing it to engage in transactions with scrap metal.

For the group, hazardous waste mainly includes containers with waste of hazardous substances in them; absorbent materials, rags, oily paper; oily water; soil containing hazardous substances; batteries, electronics, and others.

Of the total amount of sorted waste generated by the operation of the parent company, which includes separated waste such as paper, cardboard, plastic (equipment packaging), metals and oil, which are returned for recycling, 1,681.35 t of 1,703.60 t, i.e., 98.7%, is attributable directly to the operations in providing a secure electric transmission service.

	Group		
	2022	**2021**	**2020**
Total weight of hazardous waste produced, tonnes	**310**	**319**	**291**
Total weight of non-hazardous waste, tonnes	**326**	**349**	**402**
Percentage of non-hazardous waste handed over for recycling	10%	31%	17%
Percentage of non-hazardous waste sent to landfill for disposal	90%	69%	83%
	Parent company		
	2022	**2021**	**2020**
Total weight of hazardous waste produced, tonnes	**124**	**147**	**180**
Total weight of non-hazardous waste, tonnes	**208**	**237**	**306**
Percentage of non-hazardous waste handed over for recycling	12%	12%	0.30%
Percentage of non-hazardous waste sent to landfill for disposal	88%	88%	99.70%

Management of used transformer oils, in the context of promoting the circular economy in Latvia

In addition to the already mentioned categories of hazardous waste, AST manages used insulating oil, which is listed separately. The oil accounts include the indicators of oil spills, oil recovery, and used transformer oil, which is reclassified as oil with reduced quality criteria for further sale, following the main principles of the EU Green Deal and the new circular economy plan which prescribes returning resources into circulation, thereby extending the life cycle of the oil.

To save natural resources, reduce costs, and work towards the circular economy, AST assesses the oil used in its equipment and decides on further action based on the following principles:

- if it is economically feasible, AST recovers the oil, as a result of which the quality of the oil is restored and the oil can be reused in the equipment;
- if the oil is found to meet lower quality requirements as a result of the tests, the oil is sold to a partner for making other products (it is returned to the circular economy);
- if the oil is no longer usable, it is disposed of as hazardous waste.

The indicators for the oil managed are the table below.

Year	**Used and replaced in electrical equipment, and in storage, t**	**Sale of used transformer oil, t**
2020	53	125
2021	53	293
2022	52	266
Total:	**158**	**684**

SOCIAL IMPACT

SOCIAL IMPACT

Employee competence, growth, and skilled workforce of the future

GRI 404-1, 404-2, 404-3

In 2022, the group continued to pursue the development of employee competencies and provision of employees with training to be able to enable the transfer of knowledge and succession to new specialists, taking into account the goal of supporting education and science, and promoting the innovation-orientated growth of employees.

The group is proud of its professional, qualified, competent, and motivated team, who use their knowledge and skills to contribute to the development of the company and the achievement of its strategic goals, whereby the digital transformation of the company and the improvement of the digital skills of its employees are a priority.

The parent company was included on the Visma Digitisation Champions 2022 list as one of the Latvian companies that had done significant work in improving their efficiency. With the development of the Microstrategy business intelligence platform, a solution was created that performs automatic data retrieval from data sources, transforms the data, loading them into data storage, and prepares them in the form of reports and visualisations. This approach not only streamlines the preparation of existing reports, but also makes it possible to perform deeper data analysis.

Project success formula: a clear and well-assessed business need and the professional work of specialists, clarifying the needs, coordinating the experts, and providing training for company employees.

Between 10 March and 24 March 2022, AST, in cooperation with SIA Baltijas Datoru Akadēmija, organised a self-assessment of its employees' digital skills. Based on the results of the self-assessment, which found that training in fields such as data protection, data processing and analysis, work with Microsoft Office applications, work with eSigner/eID must be prioritised, a plan for the improvement of employee digital skills was created in conjunction with heads of units. As a result, the corresponding courses were provided to all AST employees, based on their duties and skill levels.

Another step towards the digital age is the development and daily use of AST's e-learning platform and the Viszinis information and learning repository, which help employees to familiarise themselves with various briefings, take tests and receive grades, as well as participate in company surveys. Compared to 2021, when the platform was used by only one unit, only providing training in occupational safety, in 2022 several new users were added to the e-learning

environment, with more learning features. The topics included risk management, IT security, processing of personal data, with knowledge and competence tests. Based on the results of the annual career growth interviews and the achievement of goals, an annual staff training plan was developed during the reporting period, which included training that would improve employee efficiency. The training is associated with the development of digital skills, improvement of general skills and competences, and professional training of employees. AST continuously monitors and ensures the continuity of the skills of its technical staff, continuous compliance with qualification requirements, implementation of new work methods, and learning of new technologies, making it possible to provide modern, competitive, and high-quality professional adult training. As part of improving professional education, and considering the strategic goals of AST, the individual goals and tasks of units and employees, the system and process of training are focused on the use of safe work methods in everyday work, and on the performance of duties at an appropriate, professional level.

Criteria of employee education, qualification, and competence are set for AST staff, based on the specific nature of the work and the operating field of the company. Electrical engineers and AST electrical system engineers equivalent to them are included on the list of regulated professions in the field of energy engineering, which sets special requirements for the education of the people performing these professional activities, for the documents certifying the professional qualification or the use of the title of the professional activities. The education and qualifications of the people working in these professions must comply with the Law on the Regulated Professions and the Recognition of Professional Qualifications. In total, AST has positions for 66 regulated professions.

The average total number of training hours in the parent company per employee was 8 hours in 2022, an increase of one hour compared to 2021. 250 employees (11 women and 239 men), mainly technical staff, participated in mandatory training, 33 employees more than in the previous reporting period. 134 employees (21 women and 113 men), mostly administrative staff, participated in skills and competence development training. In total, in 2022, AST provided 134 external training activities (courses, seminars (webinars, conferences), 19% more than in 2021.

75% of the parent company's employees, 330 men and 52 women, received career growth feedback during the reporting period, twice the number of the previous years. Compared to the previous reporting year, the number of employees who were involved in career development interviews during the reporting period increased by a factor of almost two. With the technical staff, the annual career development interviews largely did not take place.

Health, safety, and well-being of employees

3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, AST-2

The group pays special attention to building a safe working environment. As part of the internal monitoring of the working environment and in compliance with the laws and regulations of the Republic of Latvia and ISO 45001, annual plans are developed for occupational safety measures aimed at maintaining a

safe working environment. The group provides its employees with workplaces, personal protective equipment, and technical resources that meet their needs, and briefs them on occupational safety and safe work methods.

The activities of the group in the field of safety were highly appreciated by third parties. The occupational health and safety management system of the group and the parent company meet the requirements of ISO 45001 and make it possible to reduce the company's occupational health and safety risks in a focused manner. In 2022, a re-certification of the occupational health and safety management system of the subsidiary was carried out in accordance with the requirements of the ISO 45001 Occupational health and safety management systems standard, and a new certificate was received.

In 2022, as in 2021, there were no serious work-related accident or deaths in the group. In the parent company, accidents are recorded and investigated in accordance with the laws and regulations of the Republic of Latvia and the company's 'Procedure for the investigation, recording, and reporting of workplace accidents and incidents'. The total registered accident rate in the parent company was 0.22 (per 1 million working hours).

Number of accidents	**Group**				**Parent company**			
	2022	**2021**	**2020**	**2019**	**2022**	**2021**	**2020**	**2019**
Number of accidents (risk of infection)	1	1	2	3	1	1	2	3
Number of accidents (not serious)	2	1	4	7	1	-	3	2
Number of accidents (fatal)	-	-	-	1	-	-	-	1

In 2022, as in 2021, no occupational disease was confirmed for any employee in the group. The number of active occupational diseases in AST in 2022 was 1, which had been at that value since 2020.

The risks of the working environment are regularly assessed in the parent company according to the corresponding methodology, also considering the accidents that have occurred. Measures are taken to reduce the risks of the working environment, continuously improving the occupational safety of employees and the safety of the working environment. The assessment of the working environment is carried out by occupational safety specialists, involving heads of company units and employees in charge, trusted persons, and those employees who work on the premises/at the workplace or perform the work in question. The assessment of the risks of the distance working environment is carried out in cooperation with the distance workers. Once a year, the results of the working environment risk assessment are put together, and a plan of occupational safety measures is prepared to prevent or reduce the working environment risks.

In accordance with the scope of the work environment risk assessment, the employees of the parent company undergo regular training, briefings, with regular knowledge tests held for employees who perform work in electrical facilities. The demand for training, the scope of the briefings, and the need for knowledge

testing are determined by assessing the risks pertinent to the specific employees' work environment. The training is mostly done through educational institutions that provide the necessary training and meet the requirements of applicable laws and regulations. The training is provided free of charge, mostly during working hours.

Employees regularly undergo mandatory medical examinations and are vaccinated in accordance with the requirements of laws and regulations. Based on work environment risk assessment, employees are provided with the necessary personal protective equipment and the equipment necessary for performing their work safely.

If a deterioration in the working environment or a breach of the requirements of the laws and regulations is detected, a re-assessment of the risks of the working environment is carried out at the request of the authorised representatives or the trade union. Employees have the right and duty to refuse to perform work if they are not provided with safe working conditions. This requirement is specified in the occupational safety guidelines and the 'Procedure for investigating, recording, and reporting work accidents and incidents'.

Employees and authorised representatives are regularly informed about the risks of the working environment, about occupational safety measures, about the results of measuring the working environment risk factors, and consultations are held with the employees and authorised representatives in order to involve them in improving occupational safety.

Support is provided to the trade union and its authorised representatives in performing their duties, with the training of authorised representatives in the field of occupational safety. In the subsidiary, employee involvement and training take place in cooperation with the employees who are involved in assessing the risks of the working environment and provide recommendations for improving it. The suggestions and feedback of employees are taken into account when choosing personal protective equipment.

In the subsidiary, the regulations necessary for the management of occupational safety processes were developed and regular training of employees was carried out. The work guidelines include sections discussing situations in which it is prohibited to begin work. An employee may refuse to perform work if they are not provided with safe working conditions, and their duty is to report this the head of their unit.

Due to the COVID-19 pandemic, distance working became relevant in the group, and as a result, the methodology for determining work environment risks was expanded to cover distance working and epidemiological safety measures for on-site work.

The distance working environment risks were determined in cooperation with distance workers, using self-assessment workplace questionnaires. After the assessment, recommendations on distance working were prepared for employees, incl. correct setup of the workplace.

In 2022, the subsidiary paid special attention to the mental health and well-being of its employees, introducing several important initiatives: organising training on communication, team psychology, work-life balance (in 16 lectures, experts shared their experience on what it means to be a professional, on relationships with family members and loved ones, and on yourself as a person), the latest in physical security, propaganda and its impact on our emotions, and an annual recreational festival with five different sports activities. In April 2022, a new sports and recreation facility opened at Stigu street 14, available to every employee, and training was organised covering the equipment available there and its use, to improve the employees' capacity to exercise and their health by developing their physical fitness.

Every employee of the group has a health insurance policy, which, if necessary, covers outpatient and a wide range of inpatient care services, as well as a part of the cost of medications, making it possible to get consultations from various specialists (e.g., nutritionist, psychotherapist, podiatrist).

In the context of the pandemic, activities to promote vaccination continued in the group, and collective vaccinations were organised in January and October (before the virus season in autumn). Distance working, necessary personal protective equipment, disinfection of premises and workplaces, and proper responses to infection incidents were provided and carried out. In addition, employees were provided with COVID-19 self-testing kits. Current information on the epidemiological safety requirements was published on the internal communication portal, through e-mail, information TV screens, at meetings, and topic-specific briefings.

The parent company invested 129.7 thousand euros in improving the working environment in 2022.

A comprehensive study of employee satisfaction at AST was organised in 2018, and a new study has been launched in 2023. In the meantime surveys on employee satisfaction take place, covering a specific issue (satisfaction with the health insurance service provider, organising of work during the COVID-19 pandemic, etc.) Employees are regularly informed about all the results of the surveys and studies; these are also assessed at the management level, which decides to make the necessary improvements.

Inclusive work culture and gender equality

GRI 2-7, 405-1

Employee diversity

As the generations of employees change, financial incentives cannot be the only tools to motivate them. The employer's reputation, attitude, remote working and flexible work schedule options are some of the aspects that are becoming more and more important for the employees of the group.

The group is characterised by its diversity, equal and non-discriminatory treatment, and its goal is to create a truly inclusive work environment, in which employees can fully achieve their potential. The group recognises the equal role of every person in the development of the group. Respect and fairness are the principles included in the group's code of ethics, and in accordance with it, the group treats its employees and business partners fairly and equitably. In 2022, not a single case of discrimination was reported or registered (it was also 0 in 2021).

The energy sector is characterised by a high number of people employed in technical professions, and the proportion of men in the employees structure of the group and the parent company is relatively high. This value has not changed significantly in recent years.

All the group and parent company data shown below are for the situation on 31 December 2021 and 31 December 2022.

	Group		Parent company	
Employee diversity (including Board and Supervisory Board)	**2021**	**2022**	**2021**	**2022**
Share of women	17%	17%	16%	16%
Share of men	83%	83%	84%	84%
Share of women in management and support units	19%	16%	20%	16%
Proportion of men in management and support units	81%	84%	80%	84%
Employees in the age group of over 50	35%	37%	35%	38%
Employees in the age group of 30-50	55%	55%	56%	54%
Employees in the age group of under 30	10%	8%	9%	7%

	Group					
	2021			**2022**		
Age	**women**	**men**	**employees**	**women**	**men**	**employees**
Under 30	2%	8%	10%	1%	8%	9%
31-40	5%	21%	26%	5%	21%	26%
41-50	4%	25%	30%	4%	25%	29%
51-60	4%	18%	22%	4%	18%	22%
Over 60	2%	11%	13%	3%	11%	14%
Total	**17%**	**83%**	**100%**	**17%**	**83%**	**100%**

	Parent company					
	2021			2022		
Age	**women**	**men**	**employees**	**women**	**men**	**employees**
Under 30	1%	8%	9%	1%	8%	9%
31-40	4%	21%	26%	5%	22%	27%
41-50	4%	26%	30%	3%	25%	29%
51-60	4%	18%	22%	4%	19%	23%
Over 60	3%	10%	13%	3%	10%	13%
Total	**16%**	**84%**	**100%**	**16%**	**84%**	**100%**

	Group		Parent company	
Board and Supervisory Board diversity	**2021**	**2022**	**2021**	**2022**
Employees in the age group of over 50	30%	44%	30%	50%
Employees in the age group of 30-50	65%	56%	70%	50%
Employees in the age group of under 30	5%	0%	0%	0%
Share of women	25%	22%	30%	25%
Share of men	75%	78%	70%	75%

	Group		Parent company	
Worktime mode	**2021**	**2022**	**2021**	**2022**
Half-time	0.1%	0.3%	0%	0%
Part-time	0.3%	0.3%	0.2%	0.2%
Aggregate working hours	21%	19%	25%	24%
Standard full-time	76%	78%	72%	74%
Supervisory Board, The board, Audit Committee	2%	2%	2%	2%
Total	**100%**	**100%**	**100%**	**100%**
Contract workers	3	2	0	0

In the subsidiary company, job contracts are concluded with contract workers for the performance of certain tasks. Contract workers have a fixed-duration contract for the performance of specific tasks, whereby the contract is valid as of the reporting date. The subsidiary does not record working hours for these workers. Contract workers are not included in the number of employees. Their contract defines specific tasks to be performed and the expected deliverables. At the end of 2022, there were 2 active job contracts involving the development of data parameters for their entry in the information system.

In total, 14 job contracts were concluded in 2022. 4 of them were signed with persons for whom the Company made tax payments, while 10 contract workers were self-employed and make tax payments on their own.

	Group					
	2021			**2022**		
Groups of occupations	**women**	**men**	**employees**	**women**	**men**	**employees**
Managers	20%	80%	100%	17%	83%	100%
Specialists	22%	78%	100%	22%	78%	100%
Skilled workers	1%	99%	100%	0%	100%	100%
Other	40%	60%	100%	40%	60%	100%
Total	17%	83%	100%	17%	83%	100%

	Parent company					
	2021			2022		
Groups of occupations	**women**	**men**	**employees**	**women**	**men**	**employees**
Managers	20%	80%	100%	16%	84%	100%
Specialists	20%	80%	100%	20%	80%	100%
Skilled workers	1%	99%	100%	0%	100%	100%
Other	32%	68%	100%	24%	76%	100%
Total	16%	84%	100%	16%	84%	100%

The number of employees of the group was 884 as of 31 December 2021, and 878 employees as of 31 December 2022.

In both 2021 and 2022, the group's employees were 87% men and 13% women, while AST's units were 84% men and 16% women. As already pointed out, the high proportion of men is due to the special nature of the industry, with a higher share of technical professionals.

In 97% of cases, employment contracts at AST are full-time and open-end. Of those, 15% were with women and 85%, with men. In 2022, 3% of all AST employees were employed full-time and for a fixed duration. Of those, 41% were with women and 59%, with men. One employee (male) was employed part-time and with an open-ended contract in 2022.

As of 31 December 2021, 327 employees had worked in the company for more than 10 years. The end of 2022 showed a very similar number, with 328 employees having worked for the company for more than 10 years.

The average age of AST employees is 46 years, and because of this, AST pays attention to the early planning of the transfer of expertise and to raising the professional skills and competences of the necessary personnel.

PARENT COMPANY EMPLOYEE, BY FIELDS OF ACTIVITY				
Field	**2022**	**2021**	**2020**	**2019**
System management	59	54	57	56
Development	60	49	44	23
Support	40	43	42	41
Operation	318	341	355	369
Management	33	33	31	52
The Board and Supervisory Board	12	14	10	10
	522	**534**	**539**	**551**

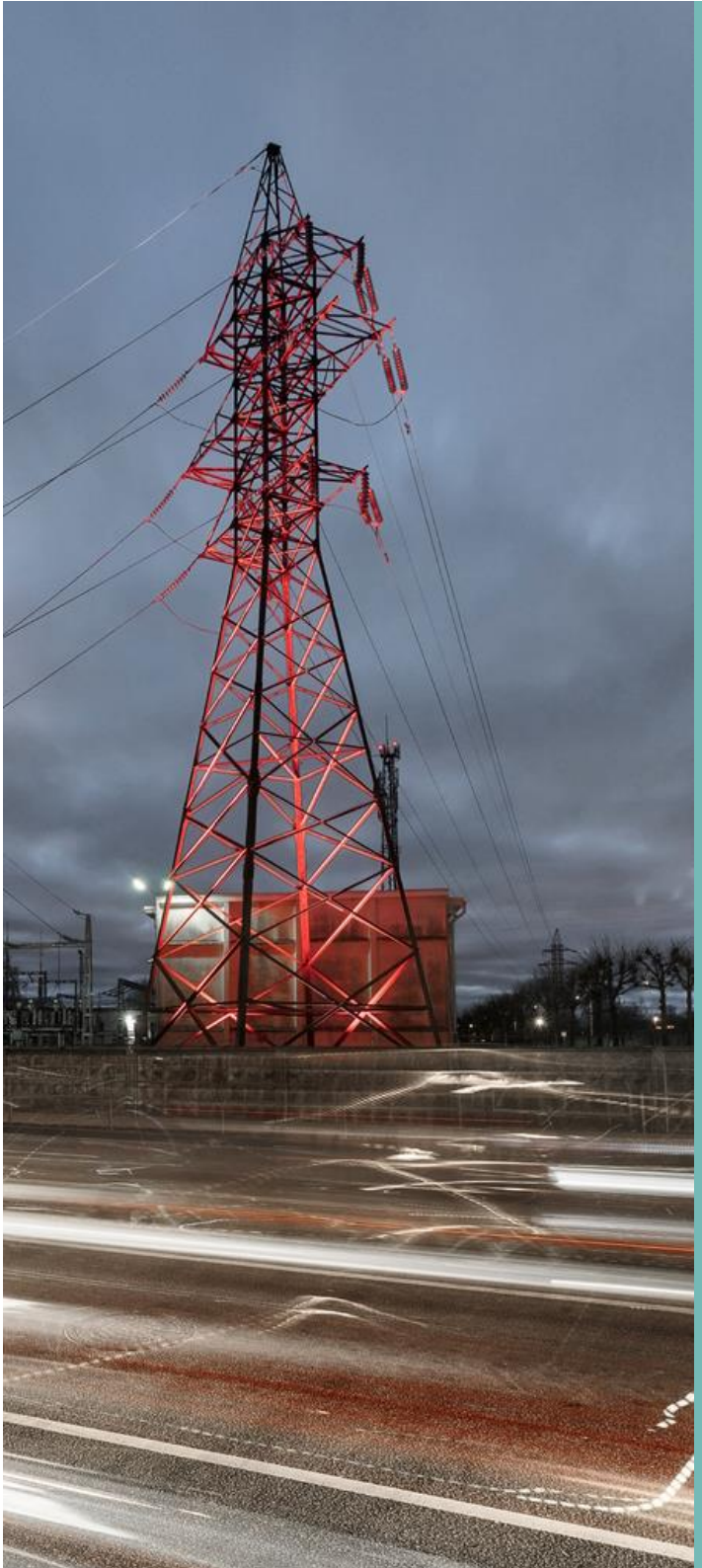
Field	**2022**	**Including men**	**Including women**
System management	59	52	7
Development	60	53	7
Support	40	24	16
Operation	318	291	27
Management	33	11	22
Board and Supervisory Board	4+4	3+3	1+1
Audit committee	2	2	0
Internal audit unit	2	1	1
	522	**440**	**82**

Parent company profession groups	**Retire in the next 5 years (2023-2027)***		**Retire in the next 10 years (2023-2032)***	
	Women	**Men**	**Women**	**Men**
Managers	0%	14%	0%	17%
Specialists	21%	11%	33%	22%
Skilled workers	0%	18%	0%	28%
Other professions	100%	62%	100%	85%

* compared the total number of employees in the profession group by gender

Breakdown of employees in the natural gas segment as of 31 December 2021 and 2022:

	2021		2022	
	women	**men**	**women**	**men**
Transmission	4%	96%	4%	96%
Storage	6%	94%	7%	93%
Support function	37%	63%	38%	62%



ECONOMIC IMPACT

ECONOMIC IMPACT

Infrastructure security, sustainable management, and digitisation of processes

3-3, 416-1, 416-2, AST-3

The infrastructure supporting the group's operations can be divided into two groups: physical facilities and data networks. The infrastructure enables the transmission of power and gas, which are vital to the public and provide the energy services widely used in everyday life. An interruption in these services would have an extreme impact on public security, as energy resources are involved in almost all everyday processes. All services provided by the group have a significant impact on its clients and the society.

Secure energy supply

The main task of the group is to ensure a safe and continuous supply of energy, and equal access to transmission lines for all stakeholders. The services provided by the group are vital for every resident of Latvia, for which reason special attention is paid to the security of supply.

AST, as the sole power transmission system operator in Latvia, must in the long run ensure reliable, high-quality, and uninterrupted availability of power, making sure that transmission infrastructure is suitable for that purpose by implementing sustainable and well-designed investment projects. Aware of the importance of the service provided by the parent company to the public, the priority of the parent company providing a high-quality and safe power transmission service at the lowest possible fees.

In order to achieve the highest efficiency possible, AST actively works to obtain EU co-financing for the funding of its investments, and allocates the resources available to AST (revenue from overload management) so as to ensure the smallest possible impact of the investment projects on the transmission fees. As a result of AST's activities, 75% of the funding necessary for the implementation of the development projects included in the European ten-year development plan is covered by EU co-financing and overload fee revenue, thus reducing the impact of these projects on the power transmission system service fees.

In accordance with the services provided by the subsidiary — the storage and transmission of natural gas — the strategic task of the subsidiary is also to guarantee a secure and uninterrupted supply of energy, devoting significant investments towards this goal. The subsidiary provides transparent, equal, and consistent access to transmission and storage services.

The subsidiary has completed or begun the following measures to ensure a security energy supply:

- maintenance and upgrading of corresponding technical, information technology, and cyber security infrastructure;
- implementation of a digital asset management system and EU projects of common interest;
- independent diagnostics of the internal system and reduction in the number of incidents found, with the goal of complete incident prevention;
- optimised scheduling of maintenance to mitigate capacity constraints;
- creation of a single balancing zone with Estonia;
- regular monitoring and assessment of supply and demand trends to protect against supply decreases during the period of higher consumption (winter);
- integration of the action plan for emergencies in the boreholes into the civil protection plan;
- approval of repairs plan and publication of an approved UMM (Urgent Market Messaging) on a single website shared with the transmission system operators of the neighbouring countries;
- compliance with third party access (TPA) rules: capacity booking, assignment, balancing, invoicing, timely and accurate market information;
- open communication with market participants;
- in-depth cooperation with regional operators to ensure the security of supply.

The security of physical objects such as substations, overhead lines, and their supports, gas storage facility, gas transmission pipelines is ensured through security systems and regular inspections and patrols. Unauthorised access to infrastructure facilities is prohibited. Power lines and substations under the control of AST are sources of electromagnetic fields (EMF). According to the measurements carried out, the EMF radiation within all the protection zone of power lines has always been several times lower than the permitted values, and work schedules have been prepared based on the permissible threshold values set for working on substation sites; compliance with the schedules is strictly monitored. Magnetic field radiation in the immediate vicinity of high-voltage power lines is also usually in the range of 25 to 30 microtesla (μT), and at the edge of the power line protection zone it approaches zero, whereas the permitted level in Latvia and in the world is 100 microtesla (μT), i.e., 3-4 times higher than the most common value measured for AST lines. In its recommendations, the European Union states that to protect the population from potentially harmful biological effects related to the EMF generated by high-voltage overhead transmission lines, the levels of emitted fields must be observed and assessed, as it is not enough to simply observe the safety distances. This requirement applies mainly to magnetic fields, because their levels depend not only on the voltage of the line, but to a greater extent on the current in the wires, and on the type of supports, the number of systems, the distance from low-voltage lines, the number of phase lines, and other important factors.

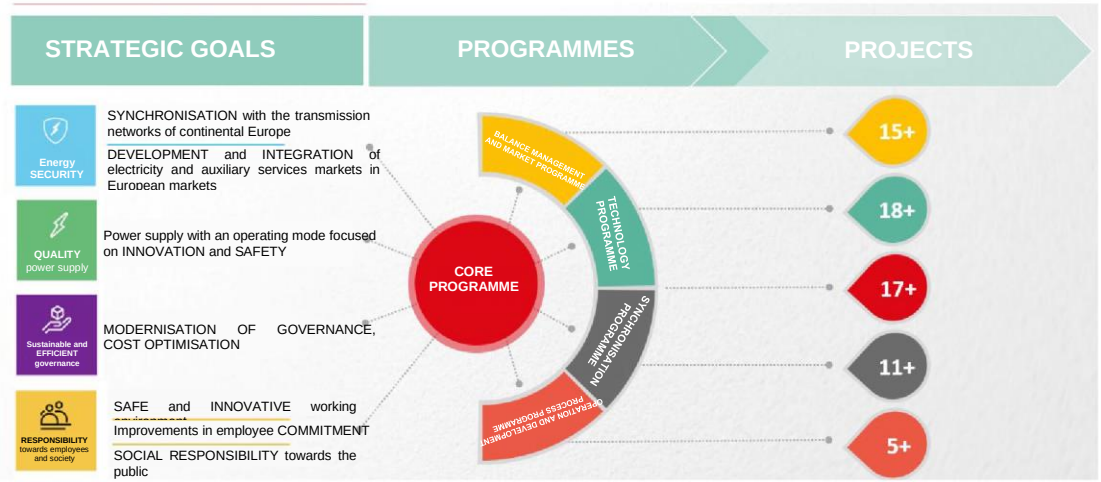
Therefore, it is primarily necessary to comply with the limit values set in the European Union recommendation, determined on the basis of the best currently available scientific research findings, and to ensure the protection of the general public against all effects of EMF exposure.

To build up the cyber security of the operational and corporate data networks, the parent company and the subsidiary, together with the CERT.LV Information Technology Security Incident Response Institution of the Republic of Latvia, worked on the creation and management of a cyber security centre for energy infrastructure operators. At the end of the year, a memorandum of understanding was signed for the creation and management of the cyber security centre for energy infrastructure operators, thus also helping improve the cooperation among all the institutions involved. The creation of the cyber security centre for energy infrastructure operators is the first step towards building up a cyber security capability aimed specifically at the energy sector. This is important in the face of an increasing number of cyber security incidents across the country, especially in the wake of Russia's full-scale invasion of Ukraine. The memorandum envisages the development of certain procedures for the exchange of information between the parties in the event of cyber security incidents and for their prevention, making it possible to promptly respond to such incidents.

No client and public safety incidents (including violations of laws and regulations) were detected in the reporting period, as in 2021.

The group's mid-term strategy for 2021-2025 envisages the implementation of a digital transformation programme. Digital transformation involves the improvement or rebuilding of existing processes in the company, making them more efficient, as well as digitising and automating them. Several new processes are also expected to be introduced during this period, in connection with the planned start of synchronous operation with continental Europe and further continuous frequency regulation.

To achieve the goals set, digital transformation is managed through 5 programmes:



Every project is implemented by a working group that regularly reports their progress to the programme management committee that monitors the progress of the projects, makes decisions, and identifies interfaces with other related projects. This work is proceeding according to the approved road map, and more than 90% of the activities planned for 2022 were completed during that year. The results achieved contribute to the company's efficiency and make its processes clearer, more transparent, and secure.

Sustainable procurement and selection of partners

GRI 204-1

The companies of the group, being public service providers, organise procurements in accordance with the Law on the Procurements of Public Service Providers of the Republic of Latvia. It is essential for the group to ensure more transparent and free competition among market participants, with equal treatment, efficient use of funds, and one of the ways to achieve this is to maximise fair competition. To enable its business activities, the group procures goods and construction and other services.

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

In 2022, the interactive Sanctions Map of the Law on International Sanctions and National Sanctions of the Republic of Latvia, which depicts the current EU and UN sanctions, was used in the organising of procurements. The group does not cooperate with suppliers that are subject to international or national sanctions, or sanctions imposed by a member state of the European Union or the North Atlantic Treaty Organisation that affect significant financial and capital market interests or which may affect the execution of contracts with such suppliers. To comply with the purpose of the Law on International Sanctions and National Sanctions of the Republic of Latvia, before concluding the procurement contract with a potential winner of the procurement procedure, one must make sure that the contractor is not subject to any sanctions that could affect the fulfilment of the contract in accordance with the above requirements of the law.

In the parent company, the requirements of the 'Basic Rules for Procurement Procedures', the Law on the Procurements of Public Service Providers, and European Union directives are considered during the preparation of procurement regulations. As part of its procurement procedures, where possible, AST adheres to the principles of green procurement (in addition to the price of goods or services, life cycle costs or elements of life cycle costs are taken into account, which include, for example, acquisition-related costs, operation costs, consumption of power and other resources, maintenance costs, and end-of-life costs such as disposal and recovery costs).

AST complies with the groups of goods and services that require the use of green procurement procedures listed in Annex 1 of Cabinet Regulation No. 353 'Requirements for green public procurement and the procedure for its use' of 20 June 2017.

100% of the construction contracts with the group's companies were concluded with companies registered in Latvia; the share of local suppliers registered in Latvia in service contracts was 91%, while of all supply contracts 87% were delivered by companies registered in Latvia.

Information about the group's procurements is published on the website of the parent company www.ast.lv or on the website of the subsidiary www.conexus.lv, in the Publication Management System of the Procurement Monitoring Bureau, and in the Electronic Procurement System www.eis.gov.lv.

Direct economic impact

GRI 201-1

The group is one of the largest state-owned companies in the country. The balance sheet value of the group is EUR 1,277 million, and of the parent company, EUR 958 million. The group provides jobs for more than 870 Latvian residents (as of 31 December 2022, the group had 879 employees, the parent company had 524 employees). The group, as the only operator of the power and natural gas transmission system in Latvia, and the controller and owner of the natural gas storage facility, is an important industry development and Latvian economic development driver, and its operations have direct and indirect effects.

The economic value created by the group and the parent company is evidenced by its financial indicators. In 2022, the group's turnover was EUR 351 million, and profits, EUR 16 million. For the parent company, it was EUR 296 million and EUR 11 million, respectively.

Also, to motivate its employees and build up their loyalty towards the company, the parent company increased the salary of its employees in 2022, based on the previous year's level of inflation in the country. In 2022, the economic value created by the parent company was EUR 309.8 million, and economic value distributed was EUR 322.7 million (see table).

	Parent company 2022	Parent company 2021	Parent company 2020
	thousands of euros	thousands of euros	thousands of euros
Economic value created	**309,784**	**189,083**	**154,154**
Income and other income	303,192	130,790	148,197
Income from financial operations	55	7	352
Income from share ownership	6537	58,286	5605
Economic value distributed	**322,673**	**126,477**	**114,995**
Raw materials, materials, and other operating costs	244,251	78,751	89,136
Employee remuneration	18,622	16,461	16,711
Compensation for the use of state capital	4184	29,143	8000
Financial operations costs	617	2121	1147
Payments set by the state, including:			
CORPORATE INCOME TAX			
PUC fee	*147*	*146*	*163*
Donations	55,000	1	1
Economic value retained	**42,110**	**62,607**	**39,160**

The retained value corresponds to the part of the profit in the reporting period which by decision was allocated to reserves, depreciation, and deferred tax.

Indirect economic impact

GRI 203-1, 203-2

INDIRECT ECONOMY IMPACT OF INFRASTRUCTURE DEVELOPMENT PROJECTS

The power transmission network is being developed in accordance with the Latvian power transmission system development plan and the ten-year development plan of the European transmission system. The European ten-year development plan includes those Latvian development projects that are strategically important not only on the national level, but also for the Baltic Sea region, and their inclusion in the European ten-year development plan is one

of the prerequisites for the projects to be eligible for European co-financing. The European ten-year development plan includes projects closely related to strengthening Latvia's energy security by integrating it into the EU electric power market. Meanwhile, the development of international connections is essential to preventing the overloading of the transmission lines on the border between Latvia and Estonia, thus contributing to the reduction of power exchange prices in the Latvian trading area and fostering the development and competitiveness of the Latvian economy. The implementation of the projects included in the European development plan for the decade, and the other projects included in the development plan, not only improves the quality and continuity of the power transmission system service, and makes it possible to develop renewable power, but also contributes to the development of the economy and Latvia's regions, creating additional jobs during the implementation of the projects.

EU FUNDING ASSISTANCE RECEIVED AND ITS SIGNIFICANCE

To implement the capital investment projects important for the strategic goals and the development of the power transmission network as efficiently as possible, while minimising their impact on the power transmission system service fees, the parent company actively raises EU co-financing for funding its capital investment projects, and additionally uses its overload fee income for this purpose (see table). According to the methodology for calculating the fees for the services of the power transmission system, the part of the value of fixed assets financed with the financial support of the European Union, and the overload management fee income received are not included in the calculation of transmission fees. Thus, the allocation of EU co-financing and the overload fee income to finance capital investment projects reduces power transmission fees and, therefore, contributes to maintaining the competitiveness of Latvian companies.

In 2014-2022, as part of the Energy Sector of the Connecting Europe Facility (CEF), financing was arranged for 5 capital investment projects: the Kurzeme circuit, the 3rd interconnection between Estonia and Latvia, the 330 kV Riga CHP 2 — Riga HPP PTL, Phase 1 of the synchronisation of the Baltic states with continental Europe, Phase 2 of the synchronisation of the Baltic states with continental Europe, with a total planned EU co-financing of up to 252 million euros (see table).

In addition to the financing of these projects, it is planned to allocate 89 million of the overload fee income earned by AST. As a result of the parent company's activities, 75% of the funding necessary for the implementation of the development projects included in the European ten-year development plan is covered by EU co-financing and overload fee revenue, thus reducing the impact of these projects on the power transmission system service fees. AS 'Augstsprieguma tīkls' has not received any other type of financial support for its main business.

	Kurzeme circuit	Riga CHP-2 — Riga HPP	Interconnection between Estonia and Latvia	Synchronisation, phase 1	Synchronisation, phase 2
Year of implementation	2019	2020	2021	2025	2025
Total costs, incl.	128	15	84	72	169
EU co-financing	55	7	51	54	93
Overload fee income	11	7	31	17	25

GENERATION OF RENEWABLE ELECTRICITY — CONNECTIONS

With the European Green Deal, there is also a huge interest in the production of renewable power in Latvia. The total capacity of different-sized wind and solar farms to be installed, if all the projects are implemented, will exceed the maximum power load in Latvia several times over.

AS 'Augstsprieguma tīkls' is not only working on the installation of new power transmission system connections for these projects, but also taking the first steps for the further connection of the power transmission system with the power transmission systems of neighbouring countries: preliminary assessments are being made for increasing the capacity of connections with Lithuania, and setting up a new interconnection with Sweden.

The development of renewable energy power plants in Latvia is an important step towards solving the current energy, security, and climate challenges in the Baltic region

INNOVATION AND RESEARCH

In order to ensure the development of the parent company, given the essential role of innovations in achieving success in its operations, representatives of the parent company actively participate in the work of the Research, Development, and Innovation Committee of the European Network of Transmission System Operators for Electricity (ENTSO-E).

Activities aimed at changes in existing power systems take place as part of the ENTSO-E Research, Development, and Innovation Committee to achieve the goals set by the European Union.

The innovation and research activities are aimed in 6 directions:

- Modernisation;

- Safety and stability;
- Flexibility;
- Economy and efficiency;
- Digitisation;
- Green transformation.

The parent company gets a better understanding of flexibility through its participation in the Horizon 2020 European Union research and innovation support programme projects: INTERRFACE and OneNet. They are based on the challenges of the energy system of the future resulting from the goals set by the European Union as part of the European Green Deal and the Clean Energy Package, which enable European climate neutrality, and focus on end-user participation in power markets, including balancing markets. The Horizon 2020 projects solve challenges by creating innovative platform concepts that facilitate the everyday work of power system operators and enable stable system operation with a high share of renewables through the coordinated operation of the transmission and distribution systems and the efficient use of distributed low-capacity system resources in auxiliary services.

The INTERRFACE project ended in 2022, providing diverse experience to multiple units of the parent company, for a better understanding of the topic of Latvian aggregation and progress towards a more sustainable growth. In addition, the accumulated experience and the created solution concept form the basis for the development of an equivalent, but improved solution within the OneNet project.

In 2022, based on the experience of the INTERRFACE project, the OneNet project created and started software development for a concept platform that would be able to identify overloads in the power system operator's network and find a solution using power market pledges. In the future, the process could be used as a new auxiliary service for overload management in the national network. In addition, the concept envisages an equivalent network overload optimisation process that would limit the occurrence of overloads in the network. The operational testing and improvement of the concept will take place in 2023 and 2024, which will provide valuable experience for the functionality of the solution for Latvia's energy system of the future.

TRANSFORMATION OF THE GAS SUPPLY SYSTEM FOR THE USE OF RENEWABLES

European gas transmission system operators—Conexus, Gasgrid Finland (Finland), Elering (Estonia), Amber Grid (Lithuania), Gaz-System (Poland), and Ontras (Germany) — have signed cooperation agreements to develop hydrogen infrastructure stretching from Finland through Estonia, Latvia, Lithuania, Poland to Germany, to carry out the RePowerEU 2030 plans. The operators of the system have launched the Nordic-Baltic Hydrogen Corridor project, which will strengthen the energy security of the region, reduce dependence on imported fossil energy, and accelerate the progress towards decarbonisation in various

energy sectors. The project will also contribute to the reduction of greenhouse gas emissions in the EU by replacing the current production and use of fossil energy in the industry, and in the field of transport and power and heating services, by switching to a form of renewable energy, green hydrogen.

On 14 July 2022, the Latvian Parliament supported the amendments to the Energy Law, which prescribe the establishment of a gas origin certification system in Latvia and appoint Conexus as the authority for issuing the certificates and managing the corresponding register. The certificate of origin is a document that proves that the gas was obtained from renewable energy sources and thus is usable in Latvia, and demonstrates to the end consumer that the energy used is environmentally friendly, opening up new opportunities for producers of renewable gas to export it as well. In accordance with the provisions of the Energy Law, it is expected that the system of certificates of origin will start operating on 1 July 2023.

The subsidiary company has launched a solution for the introduction of biomethane into the gas transmission system to facilitate the development of renewable gases in Latvia and to provide biomethane producers with an unprecedented opportunity to introduce the biomethane they make into the gas transmission system without the construction of a separate direct connection. In 2022, Conexus organised public consultations on the plan to create a regional station for feeding biomethane into the gas transmission system.

Conexus, together with the region's gas transmission system operators Gasgrid Finland (Finland), Elering (Estonia), and Amber Grid (Lithuania), will continue the already started research on the possibility of introducing and transporting hydrogen within the natural gas transmission system. Meanwhile, research will begin into the possibilities of storing hydrogen at Inčukalns UGS.

Effective and coordinated emergency management

AST-4

Both the parent company and the subsidiary company are critical infrastructure companies with effective and coordinated emergency management programmes, defining the rights, responsibilities, and powers of each organisation, unit, and staff member involved.

The environment and human behaviour can be unpredictable in certain situations, and can jeopardise the unimpeded performance of tasks. In the parent company, the emergency and crisis risks have been identified, and a unified approach to their management has been created and included in the emergency and crisis management system. The purpose of the system is to ensure the continuous and safe operation of the company, or its quick and efficient recovery. Based on the emergency or crisis in question, cooperation is planned with the State Energy Crisis Centre, State Fire and Rescue Service (SFRS), NATO, National Armed Forces, electric power producers, AST partners, consumers.

In 2022, no circumstances were found in the parent company that would be the basis for declaring an emergency or crisis in accordance with the emergency and crisis management procedures. In accordance with the subsidiary's emergency management and identification procedures, top level 3 and 4 incidents involve equipment damage, power outages, impact on the environment or individuals. No level 2, 3 or 4 incidents were recorded in 2022.

Employees are regularly briefed to improve the understanding of their duties in emergency and crisis management. AST created a number of subordinate documents that determine the actions of employees in emergencies and crises. Regular drills take place, with simulations of various emergency or crisis scenarios. The training covers the cooperation of employees within AST units and the cooperation of AST and its external partners. Based on the set intervals, the operational staff undergo at least two emergency drills every year, and all the company's personnel complete a fire drill once a year. For the management staff, emergency and crisis management training takes place once a year. The training is followed by its analysis, and preventive measures are determined to improve the actions of each party and their cooperation.

The subsidiary's occupational health, safety, and environmental management policy and asset management policy are the basis for the reliable operation of the transmission and storage infrastructure:

- The company has a safety management system, an industrial accident risk reduction plan and a civil protection plan;
- Conexus complies with binding standards and requirements governing equipment maintenance, inspections, diagnostics, and repairs;
- The company has created work procedures and guidelines for transmission and storage system diagnostics and analysis, for operation and maintenance (e.g., repairs), and special operating activities (e.g., response to emergencies and accidents), which enables the detection of potential hazards;
- the employees are regularly informed and trained in occupational safety;
- once every three years, civil protection exercises are organised together with other organisations involved.

Fair and ethical governance, prevention of corruption

3-3, 205-1, 205-2, 205-3

The group has clearly defined mechanisms for internal control aimed at managing the risks of corruption and conflicts of interest. Risk management in the group generally takes place in accordance with the principles established in the risk management policy of the parent company. At the level of policy documents, both the parent company and the subsidiary company have a code of ethics that prohibits conflict of interest and prescribes zero tolerance of corrupt activities. The parent company has defined more detailed measures and mechanisms aimed at the management of corruption and conflicts of interest

within its risk management concept, the regulations for the management the risk of fraud, corruption, and conflicts of interest, and the basic regulations for procurement procedures.

In 2022, as in 2021, the group had:

- 0 total number of incidents related to corruption;
- 0 incidents as a result of which an employee was dismissed or received disciplinary sanctions;
- 0 cases when relations with business partners were terminated or not renewed due to corruption incidents;
- 0 legal actions related to corruption filed against the group;
- 0 fines or non-monetary penalties for non-compliance with laws and regulations.

0 high-level corruption risks identified in the group.The measures implemented and the mechanisms built into the processes made it possible to prevent the high-level risks. In the parent company, the risks of fraud, corruption, and conflicts of interest were assessed for all positions in all units of the company. In 2022, corruption risks were assessed for 43 units and 172 job groups. No high-level risks were identified.

Significant corruption-related risks are related to procurement and contract supervision. Mechanisms that reduce the risks of corruption were incorporated into the procurement procedures of the group. The parent company developed the basic rules for procurement procedures, and the subsidiary, a procurement policy. Active action and preventive measures in risk management prevent this key risk position from growing to a high-risk level.

The group's employees whose duties are related to making decisions in which situations of conflict of interest could theoretically arise must submit a statement with confirmation of the absence of conflicts of interest once a year. The form of the statement is different in the parent company and the subsidiary company. In the parent company, the requirements to fill in these statements are defined in the regulations on fraud, corruption, and conflict of interest management, and in the subsidiary, in its code of ethics. The parent company, in addition to inspecting these statements, monitors its employees' data in the Lursoft databases, making sure that the employees who are listed in the Lursoft databases as board and/or council members, company owners and/or beneficial owners, signatories in other companies, have provided correct information in their statements and met the requirements to obtain approvals for work outside the parent company.

The group carries out regular training in the field of prevention of corruption and conflicts of interest.

In 2022, the parent company conducted a course with a knowledge test covering the topics of fraud, corruption, and conflict of interest; it was mandatory for all those employees subordinate to The Board who had at least one medium-level risk. The course was taught using IT solutions that made it possible to

access the learning materials remotely. 135 employees participated in the course and its a knowledge test. The training materials are freely available to all employees of the parent company.

Data on the awareness of parent company employees of the topics of corruption and conflict of interest:

- The number of heads of departments, units, and services, who were familiar with the fraud, corruption, and conflicts of interest regulations: 41 (100%) in 2022, 42 (100%) in 2021;
- The number of employees who were familiar with the fraud, corruption, and conflicts of interest regulations: 322 (62%) in 2022, 253 (43%) in 2021;
- The number of heads of departments, units, and services, who completed the prevention of corruption training and passed the knowledge test: 41 (100%) in 2022, 42 (100%) in 2021;
- The number of employees who completed the prevention of corruption training and passed the knowledge test: 135 (26%). In 2021, all employees whose risk level was assessed as at least medium risk or higher were reminded about the rules of fraud, corruption and conflict of interest and their compliance, neither training nor knowledge testing was implemented after the training.

In the parent company, new employees who are included in the group of employees who must undergo training are sent a link to the course on the Viszinis platform when they begin their employment. The scope and form of the training for new employees does not differ from the scope and form of annual employee training.

The subsidiary organises training for its employees, on the topics of ethics, corruption, and conflict of interest. New employees of the subsidiary must undergo ethics training when they begin their employment, which is a part of the New Employee's Guide training course in Moodle.

Information about corruption and conflict of interest management at the parent company is available on its website: https://www.ast.lv/en/content/management-risks-fraud-corruption-and-conflicts-interest.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Management of AS “Augstsprieguma tīkls”:

Introduction

We have been engaged by the Management of AS “Augstsprieguma tīkls” (the “Company”) to provide limited assurance on the selected information described below and included in the Augstprieguma tīkls Group Consolidated and AS “Augstsprieguma tīkls” Sustainablity report for the year ended 31 December 2022 on pages 6 to 137 of AS “Augstsprieguma tīkls” Sustainability report 2022 (“the Sustainability report 2022”). The Sustainability report 2022 represents information related to the Company and its subsidiaries (together the “Augstprieguma tīkls Group”).

Selected information and Reporting criteria

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability report 2022 and referred to and included in the GRI Content Index (hereinafter – the “Selected Information”). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (hereinafter – the “GRI Standards”), published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2022. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability report 2022 and, therefore, do not express any conclusion thereon.

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (hereinafter – the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the management of the Company

The Management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;

- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company's Management.

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.
A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the Work Performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. It also included an assessment of the significant estimates and judgements made by the Management in the preparation of the Sustainability report 2022 in accordance with the GRI Standards.

Our work consisted of:

- interviewing the management and senior executives to evaluate the application of the GRI Standards and to obtain an understanding of the control environment related to sustainability reporting;
- obtaining an understanding of the relevant processes for collecting, processing and presenting data included in the Sustainability report 2022;
- comparing data from Selected information to internal documentation and corroborate statements of management and senior executives in the interviews;
- comparing the financial data included in the Sustainability report 2022 to the financial statements 2022 of the Augstprieguma tīkls Group; and
- evaluating the overall format and content of the Sustainability report 2022, taking into account the compliance of the disclosed information with the Reporting Criteria.

Reporting and measurement methodologies

Under the Reporting criteria there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by the Management as described in the Sustainability report 2022, and for which the Company is solely responsible.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use and Distribution

This report, including our conclusion, has been prepared solely for the Company's Management in accordance with the agreement between us, to assist the Management in reporting on the Augstprieguma tīkls Group's sustainability performance and activities. We permit this report to be disclosed in the Sustainability report 2022, which will be published on the Company's website[1], to assist the Management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

PricewaterhouseCoopers SIA

Certified audit company

Licence No. 5

Ilandra Lejiņa

Certified auditor in charge

Certificate No. 168

Riga, Latvia

28 April 2023

INDEPENDENT LIMITED ASSURANCE REPORT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP.

[1] The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

COMPLIANCE WITH EU TAXONOMY REQUIREMENTS

Indicators on the share of capital investment, operating expenses, and turnover in the 2022 reporting year that meet the requirements of the EU Taxonomy Regulation

The European Green Deal is Europe's new strategy for sustainable and efficient growth. To achieve the set EU climate and energy goals, it is very important that investments are aimed at sustainable projects and activities.

The EU Taxonomy is one of the cornerstones of the European Green Deal; its purpose is to facilitate the redirection of capital flows towards more sustainable activities. The taxonomy is a unified system of classification of sustainable economic activities, which defines a set of economic activities for each sector that are considered sustainable and make a significant contribution to one or more of the six environmental protection goals: mitigation of climate change, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, restoration and protection of biodiversity and ecosystems.

In accordance with Article 10(2) of Commission Delegated Regulation (EU) 2021/2178, AS 'Augstsprieguma tīkls' discloses quantitative information about the share of its business activities that comply with the Taxonomy and those that do not comply with the Taxonomy, in each of the three KPIs: turnover, capital investments (CapEx), operating costs (OpEx).

As part of the sustainability reporting (also for the Taxonomy), AST only provides information about the parent company, and not about the subsidiary, AS Conexus Baltic Grid. AS 'Augstsprieguma tīkls', the parent company of the 'Augstsprieguma tīkls' group, defines its activities in one main business segment: power transmission.

To identify whether the business of AST in 2022 complied with the Taxonomy, an assessment was carried out to determine whether the company's business was related to the activities that are published in Commission Delegated Regulation 2021/2139 and should be identified as business activities belonging to the Taxonomy.

Quantitative information

Quantitative information	Compliance with the Taxonomy*		Not applicable
	Compliant with the Taxonomy	Non-compliant with the Taxonomy	
Turnover, in thousands of euros**	296,000	-	0
	100%	-	0%
Capital investments (CapEx), in thousands of euros	28,406	-	3,082
	90%	-	10%
Operating expenses (OpEx), in thousands of euros***	262,873	-	0
	100%	-	0%

* Compliance demonstrated by AST in accordance with the current Taxonomy regulations and information on the relevant indicators obtained by the company. The full implementation and assessment of the Taxonomy requirements in AST is still ongoing and will undergo another review in line with the upcoming delegated documents of the EU Taxonomy Regulation in the next reporting period.

** According to EU Taxonomy Regulation (2021/2139) Article 4.9.

*** Expenses related to maintaining capital investments of previous years in 2022.

Turnover

According to the licence issued to it, AS 'Augstsprieguma tīkls' is Latvia's only power transmission system operator. Power transmission is a regulated public service, and AST's income and profits arise in accordance with 'Methodology for calculating power transmission system service fees' ('methodology'). According to the methodology, the transmission system operator uses a cost assignment model approved by the Public Utilities Commission (PUC), and the company's profit is made up of the permitted income that covers the economically justified costs related to transmission services. In accordance with the cost assignment model approved by PUC, all the company's cost and income items are included in the power transmission fee. Thus, all the company's income and operating costs are assigned to power transmission services. Power transmission (NACE code 35.12) is included in the Taxonomy and technical inspection criteria have been created for it (for example, system interconnectedness). This means that the business activity of AS 'Augstsprieguma tīkls' is an activity that belongs to the Taxonomy (100%) in accordance with Regulation 2021/2139 (Article 4.9). The turnover belonging to the Taxonomy is determined according to the amount of income in the company's 2022 financial statement. AST has no income other than the income from power transmission; therefore, the

entire turnover of the company is considered to meet the criteria of the Taxonomy. Detailed information about the company's accounting policy for income accounting in accordance with the International Financial Reporting Standards is provided in the company's 2022 financial statement, Annex 2.11.

Capital investments

The company makes capital investments in the power transmission system assets in accordance with the development plan approved by the Public Utilities Commission for a period of 10 years. In 2022, investments in the transmission system were made in accordance with the power transmission system development plan for 2022-2031, approved by the decision of the Public Utilities Commission council of 14 October 2021, in accordance with the annual investment plan approved by the Board and the Supervisory Board of the company. Detailed information about the investments carried out by company is available in the management report of the company's 2022 financial statement, and on the company's website, at: https://www.ast.lv/lv/content/elektroenergijas-parvades-sistemas-attistibas-plans.

The amount of capital investments belonging to the Taxonomy is determined according to the amounts of investment specified in Annexes 10.1 and 10.2 of the Company's 2022 financial statement. Capital investments include capitalised borrowing and project management costs. Detailed information about the company's accounting policy for capital investment accounting in accordance with the International Financial Reporting Standards is provided in the company's 2022 financial statement, Annex 2.3.

The group is currently still implementing the detailed requirements of the taxonomy, and in the subsequent reporting periods, it is also planned to implement the assessment of 'prevention of significant harm' and minimum social protection measures, to enable a complete assessment of the capital investments associated with the requirements of the taxonomy.

Information about the projects implemented in 2022, with the corresponding capital investments:

Projekts	**Ieguldījumi 2022. gadā, tūkst. EUR**
Taksonomijai atbilstīgi projekti	**28 403**
Baltijas valstu sinhronizācija ar kontinentālo Eiropu	11 439
330/110 kV gaisvadu elektropārvades līniju atjaunošana	1 830
110 kV apakšstaciju atjaunošana un pārbūve	10 077
330/110 transformatoru nomaiņa	4 436
Pārējie projekti	621
Nav attiecināms	**3 082**
Ieguldījumi kopā	**31 485**

Operating costs

Operating costs represent our costs necessary to perform the functions of a power transmission system operator. Operating costs cover non-capitalised costs pertaining to the maintenance of the company's assets and are necessary for the efficient and sustainable provision of the power transmission service.

The operating costs associated with the taxonomy are determined according to the Company's 2022 financial statement and include the costs of materials and repairs necessary for the maintenance of the assets associated with the taxonomy, the staff costs necessary for servicing the assets, and other operating

costs associated with the taxonomy that are not capitalised. Detailed information about the company's accounting policy for operational cost accounting in accordance with the International Financial Reporting Standards is provided in the company's 2022 financial statement, Annex 2.

Overview of green projects

AST was the first power transmission system operator in the Baltics to issue green bonds. The first issue of bonds on the market is an important step in the development of AST, including the issuing of green bonds, which goes in step with the large investment projects to take place in the next period and with the progress towards the synchronisation of the Baltic power grids with the European system.

The bond offering programme was launched in October 2021, with the first offering of green bonds amounting to 100 million euros. The AS 'Augstsprieguma tīkls' bonds are included in the list of Baltic debt securities and are listed on AS Nasdaq Riga.

DATE OF ISSUE	MATURITY	COUPON RATE	YIELD	ISIN	PURPOSE	ORGANISED BY
20 October 2021	**20 January 2027**	**0.5%**	**0.527%**	**LV0000802528**	**According to the Green Bond framework**	**Bank: Luminor Consultant: Cobalt**

In accordance with the parent company's goal to ensure a continuous, safe, and sustainably efficient power transmission across Latvia, AST developed a framework for green bonds, with the raised funds to be used in environmentally friendly projects, and for the procedures of managing and supervising such projects.

The green bond framework sets the guidelines for the use of proceeds from the issue of bonds for sustainable growth, the green project selection process, and the management and reporting of proceeds from the bonds.

As part of the assessment of the AST green bond framework, the *Standard & Poor's Financial Services LLC* independent expert provided a report on its compliance with the 2021 Green Bond Principles of the International Capital Markets Association.

Within the green bonds framework, projects can be divided into three groups:

- renewable energy;

- energy efficiency;
- quality, security, and resilience of power transmission infrastructure.

By December 2021, EUR 71,362.1 thousand was raised through green bonds, and detailed information is provided in AST's 2021 annual accounts, at https://www.ast.lv/en/content/augstsprieguma-tikls-financial-statements-2021.

Given that the EU taxonomy and delegated regulations define a certain set of criteria (*source: Commission Delegated Regulation (EU) 2021/2139 Section 4.9. Transmission and distribution of electricity*), these criteria were used to assess the capital investment projects implemented by AST to determine which activities make a significant contribution to the achievement of climate goals. For a unified approach, these criteria and principles also apply to green projects.

An assessment of compliance with the criteria of the Taxonomy and the Delegated Regulation, it can be concluded that the transformer replacement projects implemented by AST comply with Article 4.9 of Commission Delegated Regulation (EU) 2021/2139, Power transmission and distribution criterion c).

Transformer replacement projects are implemented in compliance with the eco-design requirements set for power transformers (in accordance with Directive 2009/125/EC of the European Parliament and of the Council) and life cycle cost calculation. In this way, a balance is achieved between the price of the transformer, the level of losses across its life cycle, and the cost of losses (transformers are efficient and not overcapitalised).

As part of the substation rebuilding projects implemented by AST, the end-of-life equipment installed in the substations is completely replaced, including power switches, disconnectors, instrument transformers, etc., and in the grid element protection systems, the existing electromechanical relays are replaced with digital and high-speed devices with much wider functionality. Furthermore, by upgrading the communication solutions, it is in general ensured that the rebuilt substation can be controlled not only from the substation itself, but also remotely, from the central supervisory control board. In addition, the supervisory control operator immediately receives all the information necessary for making decisions and taking action, both in the system's normal operating mode and in various emergencies.

In addition to the above, the rebuilding of the substations involves the construction of a new energy-efficient control building, accommodating the new relay protection and supervisory control systems, with updated on-site security and fire safety solutions.

An assessment of compliance with the criteria of the Taxonomy and the Delegated Regulation, it can be concluded that the substation rebuilding and renovation projects implemented by AST comply with Article 4.9 of Commission Delegated Regulation (EU) 2021/2139, Power transmission and distribution criterion e): equipment is installed with the purpose of making the power system more controllable and transparent, and making it possible to develop and integrate renewables.

In addition to the above, it can be concluded that the rebuilding and renovation of substations during their life cycle reduces CO2 emissions.

With the replacement of obsolete power switches, disconnectors, relay protection and automation devices, supervisory control equipment, the maintenance and recovery repairs of this equipment needs to be performed less often, and the CO2 eq.t emissions associated with these repairs are lower.

Eligible projects of the green bond programme:

Eligible green projects	**Project category according to the green bonds framework**	**Indicator/criterion defined in the taxonomy**	**Financing from green bond revenue, in thousands of euros**
Replacement of transformers	ENERGY EFFICIENCY	Energy savings in 2022: 3610 MWh Energy saving during life cycle: 201,583 MWh CO2 saved during life cycle 221,741.27 (tonnes/year)	4,388.2
Rebuilding and renovation of substations	RENEWABLE ENERGY CONTINUOUS, SECURE, AND SUSTAINABLE EFFICIENT POWER TRANSMISSION	Capacity available for green energy	28,907.9
		Average duration of power supply interruptions per substation, CAIDI (h)	
		TOTAL	**33,296.1**

Although in 2022 the average duration of power supply interruptions per substation slightly increased compared to 2021, it has been decreasing in the long run.

	2017	**2018**	**2019**	**2020**	**2021**	**2022**
CAIDI, h	**0.83**	**0.74**	**0.47**	**0.54**	**0.22**	**0.39**
ASAI, %	**99.76**	**99.85**	**99.94**	**99.74**	**100.00**	**99.99**

CAIDI — average duration of power supply interruptions per substation (Customer Average Interruption Duration Index)

ASAI — average transmission service availability index