

An aerial photograph of a large group of people standing on a green lawn, arranged in a formation that spells out the letters 'AST'. The people are wearing various colorful clothing, and the formation is composed of several parallel lines of individuals. The background is a vast, green grassy field.

# AST

AS "AUGSTSPRIEGUMA TĪKLS"

## CORPORATE GOVERNANCE REPORT

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2023

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The Corporate Governance Report of AS “Augstsprieguma tīkls” for 2023 has been prepared in compliance with the requirements of Section 56.2 of the Financial Instruments Market Law ( “FIML”), the Corporate Governance Code developed by the Advisory Board of the Ministry of Justice of the Republic of Latvia ( “Corporate Governance Code”), and the recommendations of the European Union and the Organisation for Economic Cooperation and Development ( “OECD”) for corporate governance of the capital company.

Corporate Governance at AS “Augstsprieguma tīkls” is implemented having regard to the laws and regulations of the Republic of Latvia, the recommendations of the European Union and the OECD for corporate governance of capital companies, the Corporate Governance Code developed by the Advisory Board of the Ministry of Justice.

For more information on corporate governance, please refer to the Sustainability Report of AS “Augstsprieguma tīkls” ( “AST” or “the Company”). The Corporate Governance Report is publicly available on the AST website: <https://www.ast.lv/en/content/model-corporate-governance>

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# MANAGEMENT BOARD REPORT

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## ON COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

The Management Board of AS “Augstsprieguma tīkls” has assessed the Company’s compliance with the corporate governance principles set out in the Corporate Governance Code. Having assessed the Company’s governance system as well as its compliance with the principles in 2023, the Management Board believes that AS “Augstsprieguma tīkls” has complied, in all material respects, with all corporate governance principles applicable to its activity.

Under the requirements of Section 56.<sup>2</sup> of FIML, the Company is required to additionally disclose the main elements of the internal control and risk management framework applied in the preparation of the financial statements in the Corporate Governance Report.

The Company has put in place an effective system of internal control that, among other things, ensures control over the financial reporting process. The control environment includes both preventive and detective controls to ensure timely identification and correction of errors and inaccuracies. As part of the preventive control system, the Company has approved and implemented several internal documents defining its activities and processes. Examples of this include the “four-eyes” principle, regular internal management reporting, and division of responsibilities.

The internal control function is performed by the Company’s Management Board and monitored by the Internal Audit Unit, as well as by the governing bodies – the Supervisory Board and the Audit Committee. The external and internal control of the Company’s activities is carried out following established procedures, providing for regular and independent monitoring.

The auditor of the Company’s financial statements is prohibited from providing services that impair or might impair their independence. The selection of the auditor is based on the following general criteria: an internationally renowned firm of auditors that has not provided financial reporting services to the company in recent years; a quotation.

The Company and its subsidiaries are required to obtain the prior approval of the AST Audit Committee for any services to be provided by the sworn accountant and the firm of sworn accountants auditing the financial statements and sustainability report of AST. The Company ensures that the term of office of an external auditor does not exceed five (5) years.

The preparation and audit of the Company’s financial statements and consolidated financial statements are supervised by the Company’s Audit Committee.

The Corporate Governance Report 2023 of AS “Augstsprieguma tīkls” has been approved by the Management Board in Riga on 17 April 2024.

### DESIGNATIONS:

- ▶ The principle/criterion has been fully complied with;
- ▶ The principle/criterion is not applicable to the Company’s activities.

# COMPANY STRATEGY

## 1. THE COMPANY HAS AN UP-TO-DATE STRATEGY THAT SETS OUT ITS OBJECTIVES AND FOCUSES ON LONG-TERM VALUE GROWTH

### CRITERIA:

- ▶ The company has an up-to-date strategy drafted by the management board.
- ▶ The Supervisory Board is involved in the strategy development process and approves the strategy at a Supervisory Board meeting.
- ▶ The Supervisory Board monitors the implementation of the strategy.
- ▶ The company's management board implements the strategy and regularly reports to the Supervisory Board on progress in its implementation.

### FACTS:

- The Company's principal business includes the development of strategic, tactical, and operational plans for the transmission network and a ten-year transmission system development plan.
- The strategic development of the operations of the Augstsprieguma tīkls Group for a period of at least three years is set out in its medium-term operational strategy, and a process is in place to evaluate the implementation thereof and the achievement of the set objectives.
- The Augstsprieguma tīkls Group's non-financial and financial targets and performance indicators are set out in its Medium-Term Operational Strategy. The medium-term performance objectives set out in the strategy are embedded in a subordinate document, the Annual Action Plan. The annual work plan is approved at the same time as the Company's budget for the following year, analysing potential risks and allocating the necessary resources to meet the objectives.
- To manage the objectives, progress is regularly monitored: the objectives set out in the Medium-Term Operational Strategy are monitored (annually), and the achievement of the calendar year objectives is monitored (quarterly).

- Continuity is ensured in the implementation of the Medium-Term Operational Strategy, including the timely start of the planning process for the next strategy period.
- In 2021, the Company developed the Augstsprieguma tīkls Group Medium Term Operational Strategy 2021-2025 ("the Strategy"). The Strategy has been developed in compliance with the requirements set out in the Law on Governance of Capital Shares of a Public Person and Capital Companies, following the guidelines of the Coordination Centre for State Capital Companies ("the Coordination Centre") "Guidelines for the Development of Medium-Term Operational Strategy for State Capital Companies". The draft Strategy was approved by resolutions of the Management Board of the Company on 28 July 2021 and the Company's Supervisory Board on 2 August 2021. Following the opinions of the Coordination Centre and the Ministry governing the industry, the Strategy was approved by a decision of the Company's Supervisory Board on 21 December 2021.
- The Strategy defines the financial and non-financial targets and performance indicators of the Augstsprieguma tīkls Group for 2021-2025.
- Based on the objectives defined in the Strategy, the Company's Management Board develops, and the Supervisory Board approves the Company's objectives for the current year. The AST's work plan, objectives, and performance indicators for 2024 were approved by the AST Supervisory Board Decision of 15 November 2023 and endorsed by the AST's Supervisory Board Decision of 7 December 2023.
- The Company monitors progress against the targets regularly, reviewing progress quarterly at the Management Board meetings and reporting to the Supervisory Board.

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# INTERNAL CULTURE AND ETHICAL BEHAVIOUR

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

### CRITERIA:

- ▶ The Supervisory Board defines the company's core values.
- ▶ The management board prepares and the Supervisory Board approves a code of internal culture and ethical conduct.
- ▶ The management board ensures that the internal culture and code of ethical conduct are respected in the day-to-day operations of the company and responds when a breach of the code of ethical conduct is detected.

### FACTS:

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

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

## 3. THE COMPANY HAS A SYSTEM OF INTERNAL CONTROL, THE EFFECTIVENESS OF WHICH IS MONITORED BY THE SUPERVISORY BOARD

### CRITERIA:

- ▶ The company has a documented internal control system, which is the responsibility of the management board.
- ▶ Internal audit assesses the effectiveness of the internal control system at least once a year, against pre-defined criteria, and reports the results of the assessment to the management board.
- ▶ The management board evaluates, at least once a year, the assessment provided on the effectiveness of the internal control system.

### FACTS:

- The Company has established and has been continuously improving its system of internal control (including its internal audit function) and risk management.
- Since the end of 2002, AST has implemented, certified, maintained, and developed an Integrated Management System. The Integrated Management System is currently maintained following the requirements of ISO 9001, ISO 14001, ISO 45001, and ISO 50001 and the Company's priorities. Information on the quality management system is available on the AST website: <https://www.ast.lv/en/content/quality-systems>.
- The implemented Integrated Management System ensures the efficient operation of AST by following internationally accepted operational mechanisms for quality, occupational health and safety, energy efficiency, and environmental protection management, by ensuring the identification and implementation of the laws and regulations, by facilitating the identification and fulfillment of customer and stakeholder expectations, by looking at the Company developments through the prism of risk management and processes.
- The Supervisory Board oversees the effectiveness of the Company's internal control, risk management, compliance system, and Internal Audit Unit. The Audit Committee provides oversight as far as ensuring the reliability and objectivity of the annual accounts and consolidated annual accounts is concerned.

- The implementation of the Company's internal control, risk management, and compliance framework is ensured by the Management Board and is independently and objectively assessed by the Internal Audit Unit.
- The Internal Audit Unit develops and the AST Supervisory Board approves the Internal Audit Plan for the following year as well as the Internal Audit Strategic Plan for the next five (5) years. The Internal Audit Plan 2024 and the Strategic Internal Audit Plan 2024-2028 were approved by a decision of the AST Supervisory Board on 26 January 2024.
- Under the requirements of the International Standard for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the Internal Audit Unit AST reports, at least once a year, to the Supervisory Board and the Audit Committee of the Company on the internal audit activity report and provides an overall opinion on the effectiveness of internal control and risk management systems of AS "Augstsprieguma tīkls".
- The general opinion on the effectiveness of the internal control and risk management system of AS "Augstsprieguma tīkls" provides an opinion on the effectiveness of internal control activities implemented by AST, as well as recommendations for further improvement of the internal control system.
- The overall opinion provided by the Internal Audit Unit on the effectiveness of the internal control and risk management system of AS "Augstsprieguma tīkls" in 2023 ("the Opinion") was evaluated at the meeting of the Supervisory Board of AS "Augstsprieguma tīkls" on 15 March 2024. According to the Opinion, the internal control activities implemented by AST are sufficiently effective to ensure the achievement of AST's strategy and objectives and to manage strategic risks.
- The AST Supervisory Board monitors the implementation of AST's Internal Audit Policy and the Internal Audit Unit reports regularly to the Supervisory Board on the progress of the implementation and follow-up of approved audit recommendations.

## 4. THE COMPANY IDENTIFIES, ASSESSES, AND MONITORS THE RISKS ASSOCIATED WITH ITS ACTIVITIES

### CRITERIA:

- ▶ The management board develops, and the Supervisory Board approves the enterprise risk management policy.
- ▶ Based on the identified risks, the management board implements risk management measures.
- ▶ At least once a year, the Supervisory Board examines the management board's reports on risk management activities and the implementation of the risk management policy.

### FACTS:

- AST promotes integrity-based business conduct, and compliance with ethical standards, and takes the necessary actions to eliminate the risks of corruption and fraud and to improve the control environment.
- To strengthen AST's risk management, the risk management policy was reviewed and improved in 2023, with the report being reviewed at AST's Management Board meeting on 23 August 2023 and at AST's Supervisory Board meeting on 6 October 2023. To improve risk management, the risk management concept was revised in 2023. Improvements in risk management were achieved in 2023 by increasing the number of employees trained in risk management, developing an induction plan for new employees, and promoting a risk culture by involving almost all heads of structural units in risk management (35 out of 41 heads of structural units were involved in 2023).
- The risk management of AS "Augstsprieguma tīkls" is regulated by the Risk Management Policy and Concept of AS "Augstsprieguma tīkls", as well as by the individual risk management rules.
- AST manages its risks following the prudence principles and acting consistently with its risk appetite.
- To ensure more dynamic and effective management of material risks, AST's management of material risks are reported to the management board on a regular (quarterly) basis, assessing compliance with risk appetite and risk indicators. The list of AST's material risks includes the risks with the highest residual risk values of all risk areas.
- The Company monitors its risks regularly and reports to the Management Board on the results of periodic or emergency risk reviews in each area. Once a year, a report is prepared for the Management Board and then to the Supervisory Board on managing risks in the current year.



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

### CRITERIA:

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

### FACTS:

- In carrying out its operations, the Company's internal audit adheres to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.
- Under the Company's Corporate Governance Policy, the Internal Audit Unit is functionally supervised by the Supervisory Board and the Audit Committee of AS "Augstsprieguma tīkls", where administratively it reports to the Chairman of AST's Management Board.
- The Supervisory Board of the Company participates in the selection procedure of the internal auditor by successively deciding on the evaluation of the probationary period at the AST Supervisory Board meeting.
- Based on the risk assessment carried out, a strategic and annual internal audit plan is prepared, reviewed by the AST Management Board and the Audit Committee, and approved by the AST Supervisory Board.
- The internal auditor informs the Management Board and the Supervisory Board of the implementation of the internal audit plan, the results of the audit, and the recommended actions to remedy the deficiencies, if any have been identified.
- The Internal Audit Unit prepares and submits to the Supervisory Board, the Audit Committee, and the Management Board an overall opinion on the effectiveness of AST's internal control and risk management systems during the reporting year.

# EXTERNAL AUDITOR

## 6. THE COMPANY HAS AN INDEPENDENT EXTERNAL AUDITOR

### CRITERIA:

- ▶ The Supervisory Board and the audit committee, if established, shall determine the criteria for the selection of the external auditor.
- ▶ The company has an independent external auditor with appropriate qualifications.
- ▶ The term of office of an external auditor does not exceed five (5) years.

### FACTS:

- The Company's financial statements are audited by an independent sworn auditor. AST's Audit Committee oversees the preparation and audit of AST's annual report and the consolidated annual report.
- AST's annual accounts are audited by international audit firms represented in Latvia, thus ensuring the provision of highly qualified services. AST's Audit Committee monitors the independence and objectivity of the sworn auditor of the AST financial statements, including by agreeing on the criteria for the selection of auditors as part of the procurement process. The auditor of the AST 2023 Annual Report has been selected under the procurement procedure carried out in February–March 2021 for the audit of the annual reports, consolidated annual reports, and sustainability reports of AS "Augstsprieguma tīkls" for the years 2021 to 2023. This procurement procedure was carried out before the election of AST's Audit Committee.
- Before launching a new procurement procedure for the selection of the independent statutory auditor for the next financial year, AST's Audit Committee agreed on the criteria for the selection of the auditors. At the time of writing this Corporate Governance Report, the procurement procedure is in its final stage. AST's Audit Committee will prepare an opinion on the results, which will be submitted to AST's Supervisory Board and thereafter to the Shareholder Meeting for decision.

- A sworn auditor is prohibited from rendering services that impair or might impair his independence. AST and its subsidiaries are required to obtain the prior approval of AST's Audit Committee for any services to be provided by a chartered accountant and a firm of chartered accountants auditing AST's financial statements and sustainability report.
- AST's Audit Committee obtains written confirmation from the sworn auditor that:
  - the sworn auditor is independent of AST under the International Code of Ethics for Professional Accountants (including international standards on independence) issued by the International Ethics Standards Board for Accountants (the IASB Code) and the ethical requirements of the Law on Audit Services applicable to the audit of financial statements carried out by the auditor in the Republic of Latvia;
  - the sworn auditor has complied with the other ethical principles set out in these requirements and the IASB Code;
  - based on the knowledge and belief of the sworn auditor, the auditor declares that the non-audit services provided by the auditor to AST are consistent with the laws and regulations in force in the Republic of Latvia and that the auditor has not provided non-audit services prohibited under Section 37.6 of the Law on Audit Services in force in the Republic of Latvia;
- For each planned provision of non-audit services, the auditor submits a letter to the Audit Committee detailing the planned services and the assessment of independence aspects. Before commencing the service, the auditor obtains the written approval of AST's Audit Committee for the provision of such service. As part of the 2023 Annual Report, AST's Audit Committee reviewed the five agenda items on the authorization of specific non-audit services and granted authorization for four of them.
- The Company sees to it that the term of office of an external auditor does not exceed five years. The auditor of the Company's annual report for the years 2021 to 2023 is SIA "PricewaterhouseCoopers". SIA "Deloitte Audits Latvia" audited the Company's annual reports from 2018 to 2020 (three years).

# ELECTING THE SUPERVISORY BOARD MEMBERS

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

### CRITERIA:

- ▶ The company has adopted the procedure for the selection and removal of the Supervisory Board members.
- ▶ The company must provide timely and sufficient information to its shareholders about the members of the Supervisory Board who are standing for election or re-election.
- ▶ The size of the Supervisory Board must be appropriate to the specific nature of the company's activities.
- ▶ A Supervisory Board member must be elected for a term of office not exceeding five (5) years.

### FACTS:

- The AST Supervisory Board represents the interests of the shareholders between Shareholders' Meetings and oversees the activities of the AST Management Board, is involved in the strategic development of AST, and the monitoring of the financial and risk management system.
- The tasks and principles of operation of the AST Supervisory Board, as well as its main responsibilities, are defined by the Law on State and Local Government Owned Capital Shares and Capital Companies, AST's Articles of Association, and the Supervisory Board Regulations, which are available on AST's website: <https://www.ast.lv/en/content/supervisory-board> <https://www.ast.lv/en/content/model-corporate-governance>.
- The Supervisory Board is composed of five members elected for a 5-year term. <https://www.ast.lv/en/content/model-corporate-governance>
- The members of the AST Supervisory Board are selected in an open competition. The current AST Supervisory Board - Chairman of the Supervisory Board Kaspars Āboliņš, Deputy Chairwoman Olga Bogdanova, and members Aigars Ģērmanis and Armands Eberhards - were elected by a resolution of the Extraordinary General Meeting of Shareholders of AST on 30 December 2019. On 26 January 2022, Supervisory Board member Madara Melne resigned from AST's Supervisory Board. AST's Supervisory Board I will continue to be composed of four members until a new member is elected.
- In 2023, the Supervisory Board held 23 meetings, reviewed more than 115 agenda items, and passed 63 decisions.

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

### CRITERIA:

- ▶ The Supervisory Board collectively must have the skills, experience, and knowledge, including in the relevant sector, to be able to fully discharge its responsibilities.
- ▶ The composition of the Supervisory Board is based on the principles of diversity.
- ▶ Both genders are represented on the Supervisory Board.
- ▶ The Supervisory Board shall develop an induction training programme and provide induction training for new members.

### FACTS:

- The AST Supervisory Board is elected by competitive selection, ensuring the attraction of highly qualified professionals, and a description of the members' education and work experience is available on the AST website.
- The members of AST's Supervisory Board are elected under the provisions of the Law on Governance of the Capital Shares of Public Persons and Capital Companies and the Cabinet Regulation No.20 of 7 January 2020 "Nomination Procedure for Members of the Management Board and the Supervisory Board in Capital Companies in which the State or a Derivative Public Person Holds Capital Shares", as well as the guidelines issued by the Coordination Centre. In the nomination process for members of the AST Supervisory Board, all candidates are given equal opportunities, and no discrimination is tolerated based on gender, age, religion, or other characteristics.
- Both genders are represented on the AST Supervisory Board.
- The current composition of the Supervisory Board was approved by the extraordinary shareholders' meeting of AST held on 30 December 2019. Following the election of the new Board members, the AST Supervisory Board ensured that the Supervisory Board received sufficient information on the key aspects of AST's activities, as well as by giving an informative report on AST at the AST Supervisory Board meeting on 22 January 2020. The Supervisory Board also received information on AST's current Medium-Term Operational Strategy, the budget for the current year, the capital expenditure plan and the work plan, as well as an informative report on the audit of AST's operational efficiency.
- As part of the continuous improvement of AST's corporate governance processes, work will be carried out in 2024 on the development of several key operational implementation guidelines and the development of the induction training programme for the AST Board and AST Supervisory Board I, with plans to consolidate and formalise in a single document the practice already implemented in the delivery of training to new AST Board and Supervisory Board members.

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

### CRITERIA:

- ▶ The company assesses and shareholders determine the proportion of independent members of the Supervisory Board.
- ▶ At least half of the members must be independent.
- ▶ Independent candidates for election to the Supervisory Board must submit a declaration of their independence.
- ▶ Before the election of the Supervisory Board, the company assesses the independence of the members of the Supervisory Board under the available information.

### FACTS:

- The nomination and appointment of the current AST Supervisory Board members, as well as the requirements for the candidates, were determined under the Law on the Governance of Capital Shares of Public Persons and Capital Companies (before amendments that entered into force on 1 January 2020) and the Cabinet Regulation issued on its basis, as well as the recommendations contained in the Coordination Centre's Guidelines. Given that Supervisory Board member Madara Melne resigned from the AST Supervisory Board on 26 January 2022, there is currently one independent member in the Supervisory Board – Aigars Ģermanis, whose independence requirements were assessed before appointment, under the effective regulations at the time.
- The nomination process for the members of the AST Supervisory Board was organised by the then shareholder, the Ministry of Finance, and was conducted following the principles of good corporate governance practice, ensuring an open, fair, and professional selection of the Supervisory Board members, thus contributing to the establishment of a professional and competent supervisory body of the capital company. The composition of the AST Supervisory Board (five members) was designed to ensure all the necessary competencies and a sufficiently critical and independent attitude in assessing and making decisions.
- For information on the candidate evaluation process and the decisions taken for the positions of the AST Supervisory Board members:  
[https://www.fm.gov.lv/lv/media/2159/download;](https://www.fm.gov.lv/lv/media/2159/download)  
[https://www.ast.lv/en/events/new-members-ast-supervisory-board-have-been-appointed.](https://www.ast.lv/en/events/new-members-ast-supervisory-board-have-been-appointed)
- Under the recommendations of the independent nomination committee established by the Ministry of Finance and composed of representatives of the Latvian Trade Union "Energy", the AST Shareholders' Meeting elected the AST Supervisory Board members who, collectively, possess a set of skills, experience, and knowledge in the relevant sector to be able to fully perform their duties, and who are considered to be highly professional. Both genders are represented on the AST Supervisory Board.
- The term of office of the members of the AST Supervisory Board expires on 30 December 2024.

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

## 10. THE COMPANY HAS A REMUNERATION POLICY IN PLACE

### CRITERIA:

- ▶ The company has a remuneration policy in place, which has been developed by the management board, reviewed by the Supervisory Board, and approved by the shareholders' meeting.
- ▶ The Supervisory Board sets financial and non-financial targets for the management board each year, their impact on variable remuneration, and monitors their achievement.
- ▶ There is no variable remuneration for the members of the Supervisory Board, nor is any compensation be paid in the event of removal or resignation.
- ▶ The management board reports annually on the remuneration granted to each current and former member of the management board and the Supervisory Board.

### FACTS:

- The remuneration policy of the Management Board and the Supervisory Board is determined by the laws of the Republic of Latvia, regulating both the maximum remuneration and the variable remuneration of the Management Board and the Supervisory Board.
- The basic principles of the Company's remuneration policy, including the remuneration policy of the Management Board and the Supervisory Board, are set out in the Company's Corporate Governance Policy.
- According to the Cabinet Regulation, the remuneration of the Management Board and the Supervisory Board in state capital companies is determined by assessing the indicators characterising the size of the capital company – turnover, balance sheet total, and the number of employees.
- The maximum remuneration is determined by applying a coefficient under the indicators characterising the size of the capital company and considering the average monthly remuneration of employees in the country in the previous year as published in the official statistical notice of the Central Statistical Bureau of the Republic of Latvia.

- Under Section 79(7) of the Law on Governance of the Share Capital of Public Persons and Capital Companies, the variable remuneration of a member of the Management Board may not exceed two months' remuneration.
- When approving the budget for the following year, the Supervisory Board approves the Company's financial and non-financial targets for the following year and the performance indicators to be achieved. In addition, the Supervisory Board approves the targets to be individually achieved by each member of the Management Board and their impact on variable remuneration. The Company's financial and non-financial targets for 2023 were approved at the Supervisory Board meeting on 20 December 2022, while the individual performance targets for 2023 for the Chairman and members of the Management Board of AS "Augstsprieguma tīkls" were approved by the AST Supervisory Board decision of 3 February 2023. The Company's Management Board reports to the Supervisory Board every quarter on progress towards the targets.
- In deciding whether to grant a bonus to the Management Board, the Supervisory Board assesses AST's performance in the previous reporting year, the achievement of the Company's financial and non-financial targets, and the individual targets set for the Management Board member.
- The members of the Company's Supervisory Board are not paid variable remuneration, bonuses, or any compensation in the event of removal from office or upon resignation.
- A report on the remuneration policy implemented by the Company is included in the Company's non-financial statement "Sustainability Report". A report on the remuneration policy in 2023 is included in the AST 2023 Sustainability Report, available on the AST website: <https://www.ast.lv/en/content/sustainability-reports>.

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

## 11. THE ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD IS DEFINED AND UNDERSTOOD

### CRITERIA:

- ▶ The Supervisory Board organises its work under its rules of procedure and work calendar.
- ▶ The Supervisory Board holds at least one separate meeting per year to discuss the company's strategy and its implementation.
- ▶ The company's budget shall provide the necessary funding for the operation of the Supervisory Board.
- ▶ The Supervisory Board shall conduct an annual self-evaluation of its work, the results of which shall be examined at the Supervisory Board meeting.
- ▶ The Supervisory Board has assessed the need for the establishment of committees.

### FACTS:

- The AST Supervisory Board organises its work under the Supervisory Board's Rules of Procedure, which are available on the AST website: <https://www.ast.lv/en/content/supervisory-board>.
- The AST Supervisory Board meets following the calendar approved by the Board.
- In 2021, the AST Supervisory Board approved the Augstsprieguma tīkls Group's Medium-Term Operational Strategy for 2021-2025 ("the Strategy"). In 2023, the Supervisory Board met quarterly to review progress towards the objectives set out in the Strategy.
- The Company's annual budget provides the necessary funding for the functioning of the Supervisory Board.
- To manage the objectives, progress is regularly monitored: the objectives set out in the Medium-Term Operational Strategy are monitored (annually) and the achievement of the calendar year objectives is monitored (quarterly).
- Once a year, concurrently with the approval of the previous year's financial statements, the Supervisory Board conducts a self-evaluation of the Supervisory Board's performance and submits the results to the AST Shareholders' Meeting for consideration. The Supervisory Board's self-assessment will be considered at the AST shareholders' meeting on 28 April 2023.
- The AST Audit Committee has been established by a resolution of the AST Shareholders' Meeting of 22 September 2021. There are no other AST Committees other than the Audit Committee.

## 12. THE SUPERVISORY BOARD TAKES INFORMED AND BALANCED DECISIONS

### CRITERIA:

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

### FACTS:

- The AST Supervisory Board's Rules of Procedure lay down the procedures for preparing and submitting documents to the Supervisory Board, convening the Supervisory Board meetings, and adopting decisions.
- Under Paragraph 5.9 of the Supervisory Board's Rules of Procedure, the documents and draft decisions necessary for consideration of the items on the agenda of a Supervisory Board meeting must be delivered to the members of the Supervisory Board not later than 3 (three) working days before the regular Supervisory Board meeting, unless another deadline has been agreed.
- Under Paragraphs 7.5 and 7.6 of the Supervisory Board's Rules of Procedure, the draft decision and the documents supporting the decision must accompany the item submitted for consideration at the Supervisory Board's meeting. The draft decision must be accompanied by an explanatory memorandum (report), a presentation, and other material supporting the need for the Supervisory Board to adopt the decision, and forecast the likely economic, social, legal, and other consequences of the decision.
- Under Paragraphs 3.3.5 and 3.4 of the Supervisory Board's Rules of Procedure, the Supervisory Board has the right to request information held by the Management Board which is necessary for the supervision of the Company and the exercise of the Supervisory Board's functions and which is submitted to the Supervisory Board in a form which enables the objectives of the request for information to be achieved.



## 12.1. THE COMMITTEE PREPARES PROPOSALS FOR DECISIONS BY THE SUPERVISORY BOARD

### CRITERIA:

- ▶ The Supervisory Board shall determine the tasks of the committee and the arrangements for organizing its activities.
- ▶ The Supervisory Board shall establish a committee of at least three (3) Supervisory Board members with appropriate experience and expertise in the defined area of the committee (remuneration, nomination, audit, or other).
- ▶ The committee analyses the information, prepares proposals for decisions by the Supervisory Board, and informs the Supervisory Board of its work.

### FACTS:

- The AST has a three-member Audit Committee, consisting of two independent members and one member dependent on the AST Supervisory Board. The Audit Committee reports to the AST Supervisory Board on its activities and the performance of its tasks. On 9 February 2024, AST's Audit Committee member Ivars Blumbergs submitted his resignation as a member of the Audit Committee. The vacant position of Audit Committee member will be subject to an open competition, with a representative of the Ministry of Climate and Energy, as well as members of the Supervisory Board, serving on the selection panel. The election of a new member of the Audit Committee will take place through the re-election of the entire Audit Committee.
- The main role of the AST Audit Committee is to ensure that the interests of the shareholders and the Shareholders' Meeting are safeguarded concerning the preparation of the annual accounts, the audit thereof, and the effectiveness of the internal control, risk management, and internal audit systems as far as it relates to ensuring the reliability and objectivity of the annual accounts, to make proposals to the AST Supervisory Board to ensure the reliability and objectivity of the annual accounts and the consolidated annual accounts.
- The aims and objectives, operating principles, rights, and responsibilities of the AST Audit Committee are defined in the AST Audit Committee Bylaws, available on the AST website:  
<https://www.ast.lv/en/content/audit-committee>.
- During the reporting period, the AST Audit Committee held three (3) meetings and passed seven (7) decisions. Outside the Audit Committee meetings, individual meetings were held with the heads of the AST Finance and Accounting Department, the Quality System Department, and the Internal Audit Department, as well as with the auditors of the AST Group's consolidated and AST 2023 Annual Report. The report of the Audit Committee on its work during the previous reporting period was reviewed by the AST Supervisory Board at its meeting on 21 April 2023.

# PREVENTION OF CONFLICT OF INTEREST

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

### CRITERIA:

- ▶ The Supervisory Board defines the indications of a conflict of interest and establishes procedures for the prevention and management of conflicts of interest.
- ▶ The members of the Supervisory Board or the management board do not take part in decisions on matters where the interests of the company conflict with the interests of the Supervisory Board, the management board, or persons related to them.
- ▶ Persons subject to the conflict of interest obligation receive regular training on how to deal with conflict of interest situations.

### FACTS:

- The members of the AST Management Board and Supervisory Board, the members of the Audit Committee are public officials within the meaning of the Law on Prevention of Conflict of Interest in the Activities of Public Officials and must comply with the general and special restrictions on combining public office, income generation, commercial activities, acceptance of gifts and donations and other restrictions set out in the aforementioned Law. AST's Management Board members require the prior consent of the Supervisory Board to combine their positions, while Supervisory Board members require the prior consent of the shareholder. The members of AST's Management Board and Supervisory Board complete annual declarations as public officials.
- In their activities, the members of the AST Management Board observe the restrictions on transactions with related parties set out in the Commercial Code, as well as the prohibition of competition and the restrictions set out in the Law on Prevention of Conflict of Interest in the Activities of Public Officials.
- The Company is required to regularly provide training to persons subject to conflict of interest obligations on how to deal with conflict of interest situations. Training material and a test to test knowledge are sent electronically once a year, and training is provided at least every three years with the involvement of specialists from the Corruption Prevention and Combating Bureau (KNAB). The most recent such training, involving a KNAB expert, was held on 1 February 2024.
- Detailed information on the Company's management of fraud, corruption, and conflict of interest risks is available on the AST website: <https://www.ast.lv/en/content/responsible-business>.

# SHAREHOLDERS' MEETING

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

### CRITERIA:

- ▶ The company shall inform shareholders in good time of the agenda, proceedings, and voting procedure of the shareholder's meeting, as well as of any changes thereto.
- ▶ At the same time as the meeting is announced, the company provides shareholders with the opportunity to review the draft resolutions that are initially scheduled to be voted on at the meeting. The company shall promptly inform shareholders of any additional draft resolutions submitted.
- ▶ The company provides shareholders with the opportunity to submit questions on items on the agenda and draft resolutions before the shareholder's meeting.
- ▶ Draft decisions and accompanying documents provide detailed, clear, and complete information on the matter under consideration.

### FACTS:

- In 2023, the interests of the shareholder were represented at AST Shareholders' Meetings by the State Secretary of the Ministry of Climate and Energy or another Ministry official designated by order of the State Secretary, who has all the rights, duties, and responsibilities of a shareholder's representative provided for in the regulatory enactments.
- The AST Shareholders' Meeting adopts decisions within the competence set out in the Law on Governance of the Share Capital of Public Persons and Capital Companies.
- In 2023, three (3) shareholders' meetings were held, at which several important decisions were taken, related to the election of members of the AST Audit Committee, the approval of the consolidated and AST 2022 annual report of the Augstsprieguma tīkls Group, the application of the 2022 profit, the implementation of the AST 2022 work plan and objectives, the election of an auditor to audit AST 2023 annual report, consolidated report and sustainability report, the increase of AST share capital and amendments to the Articles of Association.
- The agenda and resolutions of the shareholders' meeting are available on the AST website:  
<https://www.ast.lv/en/content/shareholder-and-shareholders-meeting>.

## 15. THE COMPANY PROMOTES EFFECTIVE SHAREHOLDER INVOLVEMENT IN DECISION-MAKING AND THE WIDEST POSSIBLE PARTICIPATION OF SHAREHOLDERS IN SHAREHOLDERS' MEETINGS

### CRITERIA:

- ▶ The shareholders' meeting is convened and held at a place and time convenient for the shareholders.
- ▶ The company provides the possibility for shareholders to participate in the shareholders' meeting remotely.
- ▶ The company determines the appropriate length of the shareholders' meeting and allows shareholders to express their views during the meeting and to obtain the information necessary to make decisions.
- ▶ The company convenes a new general meeting if the items on the agenda cannot be dealt with in the time allowed.
- ▶ The company invites the members of the management board, the Supervisory Board, the candidates for election to the Supervisory Board, the auditor, the internal auditor, and other persons to participate in the shareholders' meeting under the business to be transacted at the meeting.
- ▶ The shareholders' meeting adopts resolutions under the draft resolutions previously announced.

### FACTS:

- All shares (100%) in AS "Augstsprieguma tīkls" are owned by the State.
- The powers of AST's shareholders are exercised by the Cabinet. The interests of the shareholder is represented at the AST Shareholders' Meeting by the State Secretary of the Ministry of Climate and Energy or by another Ministry official designated by order of the State Secretary, who has all the rights, duties, and responsibilities of a shareholder's representative provided for in the regulatory enactments.
- Extraordinary and Ordinary Shareholder Meetings of AST are convened under the procedure set out in the Law on Governance of the Capital Shares of Public Persons and Capital Companies and the Commercial Companies Law. The initiators of the shareholders' meeting must indicate the reasons for convening the meeting and the agenda in the request - letter for convening the AST shareholders' meeting and submit draft resolutions on the issues relevant to the agenda.

- Invited persons who are directly involved in the agenda item under discussion and who can additionally provide reasoned answers to the questions of the shareholder representative may be invited to AST shareholders' meetings with the permission of the shareholder representative.
- The AST Shareholders' Meeting adopts decisions within the scope of its competence under the Law on Governance of the Share Capital of Public Persons and Capital Companies. After the consideration of each item on the agenda, the shareholder's representative announces his decision on the item under consideration. Minutes are taken at AST shareholders' meetings. Given that the entire voting share capital is represented at AST shareholders' meetings, it is deemed to be valid irrespective of the time, manner and place of convening (Section 276 of the Commercial Law). Information on AST shareholders' meetings and resolutions adopted is published on AST's website under the information disclosure requirements established by law. <https://www.ast.lv/en/content/shareholder-and-shareholders-meeting>.
- To date, all AST shareholders' meetings have dealt with the items on the agenda within the scheduled time. However, if the items on the agenda could not be dealt with in the time available, a new shareholders' meeting would be convened to ensure that the necessary items could be dealt with. If necessary, the shareholder can participate in the meeting remotely.

## 16. THE COMPANY DEVELOPS AND DISCUSSES A DIVIDEND POLICY WITH SHAREHOLDERS

### CRITERIA:

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

### FACTS:

- Augstsprieguma tīkls Group's Medium-Term Operational Strategy for 2021-2025, approved by the AST Supervisory Board on 12 December 2021, includes the Company's dividend policy.
- The Company's dividend policy was discussed at the annual shareholders' meeting on 9 August 2021.
- Under Paragraph 3 of the Cabinet Regulation No 72 of 25 January 2022 "Procedure for Forecasting, Determining and Making Payments for the Use of State Capital", the minimum profit share to be paid out in dividends is set at 64% of the capital company's annual profit unless otherwise specified in the capital company's medium-term operational strategy.
- Under Augstsprieguma tīkls Group's Medium-Term Operational Strategy, it is planned to pay out 64% of 2022 profit in dividends in 2023.
- The resolution of the AST Shareholders' Meeting of 28 April 2023 determined that the share of AST's 2022 profit to be paid out as dividends shall be 64% or EUR 7,033,805, with the remaining EUR 3,956,516 to be allocated for increasing AST's share capital and to make the necessary investments, including the synchronization project with the Continental European grid.
- Section 25 of the Law on the State Budget for 2024 and the Budgetary Framework for 2024, 2025, and 2026 provides that the AST shall transfer to the revenue of the basic state budget the dividend payment in 2024 (for the 2023 reporting year) in the amount of 64% of the profit for the reporting year but not less than EUR 10,117,120 and in 2025 (for the 2024 reporting year) in the amount of 64% of the profit for the reporting year but not less than EUR 10,391,040.
- The Company's dividend policy is published on AST's website: <https://www.ast.lv/en/content/goal-and-strategy>.

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# TRANSPARENCY OF COMPANY OPERATIONS

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

### CRITERIA:

- ▶ The company discloses complete, accurate, objective, up-to-date, and truthful information on time.
- ▶ The company discloses information to all shareholders at the same time and to the same extent.
- ▶ The company shall disclose on its website information about its management, strategy, or business lines and publish financial statements and other information under Annex 1.
- ▶ The company provides information in Latvian and in at least one other language that is understood by the majority of the company's foreign shareholders and other interested parties.

### FACTS:

- The consolidated financial statements are prepared under International Financial Reporting Standards (IFRS).
- The 2023 Sustainability Report is prepared in line with the Global Reporting Initiative (GRI) guidelines and is independently audited.
- In 2023, AS "Augstsprieguma tīkls" was awarded the Gold category in the Latvian Sustainability Index.
- In 2023, AS "Augstsprieguma tīkls" was recognised as the sixth most valuable company in Latvia in the TOP 101 list of Latvia's most valuable companies.
- The Augstsprieguma tīkls Group and its subsidiaries publish quarterly interim financial statements under the published Financial Calendar.

## ANNEX NO. 1: Information to Be Published on the Company Website

<b>COMPANY</b>		
Information about the company	✓	
Information about the company's strategic objectives	✓	
Articles of association of the company	✓	
Information on the corporate governance structure of the company	✓	
Company Code of Internal Culture and Ethics	✓	
Key company policies	✓	See the Strategy, Policy and Practice section of the Sustainability Report
<b>SHAREHOLDERS AND BENEFICIAL OWNERS</b>		
Information on the company's shareholders	✓	
Information on the beneficial owners of the company	✓	
Number of company's issued, paid-up and voting shares, bonds or other financial instruments	✓	
<b>SUPERVISORY BOARD AND MANAGEMENT BOARD</b>		
Regulations of the management board and the supervisory board	✓	
Information on each supervisory board and management board member	✓	
Information on independent supervisory board members	✓	
Remuneration policy of the management board and the supervisory board and remuneration report	✓	See the Governance and Structure of the Group section (section Remuneration and the principles of determining thereof) of the Sustainability Report
Information on the selection process of the management board and the supervisory board	✓	See the Governance and Structure of the Group section (section Nomination and selection of the members of the highest governance body) of the Sustainability Report
Information on supervisory board committees and the audit committee	✓	See the Governance and Structure of the Group section (section Audit Committee) of the Sustainability Report
<b>FINANCIAL AND NON-FINANCIAL REPORTS AND INFORMATION</b>		
Company's financial statements and reports	✓	
The company's non-financial reports	✓	
Corporate governance reports	✓	
Company's financial calendar	✓	
<b>INFORMATION FOR SHAREHOLDERS AND INVESTORS</b>		
Information on the planned shareholder meetings	✓	The issues to be considered during the meeting and decisions are published after the Shareholder Meeting
Information on held shareholder meetings	✓	
Company's dividend policy and information on dividends paid	✓	
Information on transactions of related parties	✓	See Note 24 of the financial statements "Related party transactions".
Company's announcements and relevant information for investors	✓	
Contacts of the investor relations person	✓	

