

Pillar Capital, AS

Corporate governance report 2021

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Disclaimer

The report is available in Latvian and English. In case of any inconsistencies or discrepancies, the Latvian version of the report shall prevail.

Statement by the Management Board

The Corporate Governance Report 2021 of Pillar Capital, AS (hereinafter - Pillar Capital, AS or the Company) has been prepared in accordance with the requirements of Section 56² of the Financial Instruments Market Law and based on the Corporate Governance Code 2020 issued by the Corporate Governance Advisory Council of the Ministry of Justice of the Republic of Latvia. (hereinafter referred to as the "Corporate Governance Code"). The report was prepared by the Management Board of Pillar Capital, AS on a "comply or explain" basis.

The Corporate Governance Report 2021 is published simultaneously with the audited consolidated and separate financial statements of Pillar Capital, AS for the year ending 31 December 2021 in the "For Investors" section of the website of Pillar Capital, AS www.pillar.lv in Latvian and English, as well as on the website of Nasdaq Riga, AS www.nasdaqbaltic.com.

Pillar Capital, AS has implemented and complies with most of the principles of good corporate governance set out in the Corporate Governance Code. The report provides a more detailed insight into the management principles of Pillar Capital, AS that contribute to operational efficiency and long-term value growth.

Riga, 29 April 2022

Edgars Miļūns
Chairman of the Board

Arnold Romeiko
Member of the Board

Inga Vēvere
Member of the Board

THE DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

PRINCIPLES OF GOOD CORPORATE GOVERNANCE

1. Company strategy

Strategy is the senior management's plan for achieving long-term results in line with the organisation's business objectives.

Principle #1 The Company has an up-to-date strategy that sets out the Company's objectives and focuses on long-term value growth.

The Company has an up-to-date strategy, which is drafted by the Management Board.
Pillar Capital, AS complies with this criterion

The main tasks of the Management Board of Pillar Capital, AS are to plan, organise and manage the day-to-day business of Pillar Capital, AS, to develop and implement the strategy of Pillar Capital, AS, to set the qualitative and quantitative objectives of Pillar Capital, AS, including work and financial plans, to monitor and control the activities of the subsidiaries of Pillar Capital, AS, to approve the qualitative and quantitative objectives, work and financial plans of the subsidiaries.

The Supervisory Board is involved in the strategy development process and approves the strategy at a meeting of Supervisory Board.
Pillar Capital, AS complies with this criterion

The Supervisory Board approves the Company's strategy, as well as any amendments thereto, on a proposal from the Management Board.

The Supervisory Board monitors the implementation of the strategy.
Pillar Capital, AS complies with this criterion

The Supervisory Board oversees the strategy of Pillar Capital, AS, its implementation, according to the mission statement of the Supervisory Board established by the Regulations of the Supervisory Board of Pillar Capital, AS.

The Company's Management Board implements the strategy and reports regularly to the Supervisory Board on progress in its implementation.
Pillar Capital, AS complies with this criterion

The Management Board of Pillar Capital, AS shall submit to the Supervisory Board for approval those matters which, in accordance with the Company's strategy and corporate documents, require Supervisory Board approval.

2. Internal culture and ethical conduct

Principle #2 The Company develops an internal culture and code of ethical conduct that serves as a standard of behaviour for management and employees.

The Supervisory Board defines the Company's core values.
Pillar Capital, AS complies with this criterion

The Company's core values are defined by the Pillar Capital, AS Management Board and approved by the Supervisory Board. The Rules of Procedure adopted by Pillar Capital, AS set out the ground rules that define the Company's core values:

- ✓ Confidentiality and the "Clean Desk" principle;
- ✓ Communication with Pillar Capital, AS clients and business partners;
- ✓ Conflict of interest;
- ✓ Company interests, employee behaviour and interpersonal communication.

The Management Board prepares and the Supervisory Board approves a Code of Internal Culture and Ethical Conduct.

Pillar Capital, AS complies with this criterion

The Management Board of Pillar Capital, AS shall prepare, in consultation with the Supervisory Board, and approve the Rules of Procedure of the Company, which shall define the internal culture of Pillar Capital, AS.

The Management Board ensures that the Code of Internal Culture and the Ethical Conduct are upheld in the Company's day-to-day operations and responds to any breach of the Code of Ethical Conduct.

Pillar Capital, AS complies with this criterion

The Rules of Procedure drawn up by the Management Board set out the internal culture and ethical standards of behaviour, as well as a control mechanism whereby the Head of Unit is obliged to review the conduct of a staff member if a breach is detected. To ensure compliance with these rules, employees are trained; the Company may take steps to ensure reasonable control and supervision, and may use employee research to assess non-compliance with work rules.

The decision on the liability of an employee shall be taken by the head of the unit in accordance with the "Labour Law" of the Republic of Latvia and other legislation. The staff member is responsible for compliance with the rules and the head of unit is responsible for monitoring compliance with the rules in his/her unit and, where necessary, explaining the rules to staff members. Violations of these rules, whether committed intentionally or negligently, as well as failure to perform work, improper performance or other unlawful conduct, may subject the staff member and the head of unit to disciplinary, civil, administrative and/or criminal liability.

3. Internal control system, risk management and internal audit

Principle #3 The Company has a system of internal control, the effectiveness of which is monitored by the Supervisory Board.

The Company has a documented internal control system, which is the responsibility of the Management Board.

Pillar Capital, AS complies with this criterion

The Company has an internal regulatory framework (policies, regulations, ordinances) which serves as a basis for ensuring the achievement of the Company's strategic objectives and the successful monitoring of its operations, as well as for ensuring the safest, most organised and efficient operation of the Company.

Internal audit shall conduct an assessment of the effectiveness of the internal control system at least once a year, taking into account pre-defined criteria, and report the results of the assessment to the Supervisory Board.

Pillar Capital, AS complies with this criterion

The internal audit function is performed by the Management Board of Pillar Capital, AS.

The Supervisory Board shall, at least once a year, evaluate the assessment provided on the effectiveness of the internal control system.

Pillar Capital, AS complies with this criterion

The Management Board shall review, amend and update the library of internal regulatory documents at least annually to improve the internal control system and its effectiveness. It is reviewed, approved and adopted by the Supervisory Board for the future maintenance of the Company.

Principle #4 The Company shall identify, assess and monitor the risks associated with its activities.

The Management Board develops and the Supervisory Board approves the Company's risk management policy.

Pillar Capital, AS complies with this criterion

The Company continuously improves its risk management process to adapt to the changing business environment and market trends. Risk assessment is integrated into all corporate governance processes. The Company's Management Board, in cooperation with the Supervisory Board, identifies, assesses and monitors the risks associated with its activities.

Based on the identified risks, the Management Board implements risk management measures.

Pillar Capital, AS complies with this criterion

The Company is continuously developing integrated internal control measures - Regulations of the Management Board of the Company and its subsidiaries, allocation of duties and responsibilities of employees, etc. Their purpose is to contribute to the implementation of the strategy and the achievement of objectives by ensuring ethical, efficient and effective operations. The Supervisory Board reviews the Management Board's report on any identified risks and implements risk management measures based on the adopted internal control framework.

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.

Pillar Capital, AS complies with this criterion.

The Supervisory Board annually reviews the recommendations of the independent auditor and the deficiencies/weaknesses identified following the audit of the Company's accounts, and assesses the Company's risk management arrangements and provides the Management Board with terms of reference for improving risk management.

Principle #5 The Company has an internal audit function that independently and objectively assesses the Company's performance.

The Company has an internal auditor who is functionally independent of the Management Board and reports to the Supervisory Board.

Pillar Capital, AS does not meet this criterion

The internal audit function of the Company is performed by the Management Board of Pillar Capital, AS.

The internal auditor is approved by the Supervisory Board. The internal auditor develops a risk-based internal audit plan, which is approved by the Supervisory Board.

Pillar Capital, AS does not meet this criterion

The internal auditor shall 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.

Pillar Capital, AS does not meet this criterion

4. External auditor

Principle #6 The Company has an independent external auditor.

The Supervisory Board and the Audit Committee, if established, shall determine the criteria for the selection of the external auditor.

Pillar Capital, AS complies with this criterion

The Company has an independent external auditor with appropriate qualifications.

Pillar Capital, AS complies with this criterion

The term of office of an external auditor shall not exceed 5 years.

Pillar Capital, AS complies with this criterion

The Supervisory Board, together with the Management Board of Pillar Capital, AS, is responsible for ensuring the selection process of candidates for certified auditors, as well as for reviewing and monitoring whether the certified auditor appointed by Pillar Capital, AS or the firm of certified auditors complies with the requirements set out in the laws and regulations before and during the audit of the separate annual financial statements and consolidated annual financial statements of Pillar Capital, AS and its subsidiaries.

One of the main tasks of the Supervisory Board is to review the opinions and recommendations of the Company's sworn auditors for the improvement of the Company's operations and to provide the Management Board of Pillar Capital, AS with appropriate necessary guidance and instructions.

5. Election of the members of the Supervisory Board

Principle #7 The Company shall ensure transparent procedures for the election and recall of Supervisory Board members.

The Company has adopted procedures for the selection and removal of Supervisory Board members.

Pillar Capital, AS complies with this criterion

The Company has a Supervisory Board Regulations, which set out the procedures for electing and recalling Supervisory Board members. The Supervisory Board shall be composed of five members, one of whom shall be the Chairperson and one of whom shall be the Vice-Chairperson. A member of the Supervisory Board may be removed from office at any time by a resolution of the Shareholders' Meeting on its own initiative. A member of the Supervisory Board may resign at any time by giving notice to the Management Board of Pillar Capital, AS. If a member of the Supervisory Board resigns or is removed from office before the end of the Supervisory Board's term of office, the Management Board shall take the steps provided for in the laws and regulations for the election of new members of the Supervisory Board at which the entire Supervisory Board shall be re-elected.

The Company shall provide timely and sufficient information to its shareholders about the members of the Supervisory Board who are standing for election or re-election.

Pillar Capital, AS complies with this criterion

The size of the Supervisory Board is appropriate to the specific nature of the Company's activities.

Pillar Capital, AS complies with this criterion

The Supervisory Board is composed of five members.

A member of the Supervisory Board shall be elected for a term of office not exceeding 5 years.

Pillar Capital, AS complies with this criterion

A member of the Supervisory Board is elected for a term not exceeding 5 years.

Principle #8 Member of the Supervisory Board together have relevant experience and expertise.

The Supervisory Board as a whole has the skills, experience and knowledge, including in the relevant sector, to be able to fully discharge its responsibilities.

Pillar Capital, AS complies with this criterion

The Company has the following information on each member of the Supervisory Board of Pillar Capital, AS: name, surname, year of birth, education, professional experience in the last three years, information on positions held in other capital companies. This information is not available on the Pillar Capital, AS website www.pillar.lv. The members of the Supervisory Board of Pillar Capital, AS have sufficient time to perform their duties successfully and to act in the best interests of the Company. The members of the Supervisory Board are elected by the Shareholders' Meeting, after assessing each candidate's experience and expertise in the specific field of activity. The Supervisory Board of Pillar Capital, AS is composed of individuals who have the diversity of knowledge, views and experience to successfully fulfil their duties and responsibilities. Each member of the Supervisory Board of Pillar Capital, AS takes responsibility for the decisions taken. Members of the Supervisory Board of Pillar Capital, AS shall observe generally accepted ethical principles and the interests of the Company when making any decision related to the Company's activities.

The composition of the Supervisory Board is based on the principles of diversity.

Pillar Capital, AS complies with this criterion

The Supervisory Board is composed of candidates with relevant experience, skills and knowledge in the Company's sector of activity and specialisation in specific issues, such as legal and financial matters. The procedure for nominating and electing members of the Supervisory Board is laid down in the laws and regulations of the Republic of Latvia.

Both genders are represented on the Supervisory Board.

Pillar Capital, AS does not meet this criterion

The current elected Supervisory Board of Pillar Capital, AS is composed exclusively of male members.

The Management Board shall develop an induction training programme and provide induction training for new members.

Pillar Capital, AS does not meet this criterion

The Company does not have an induction training programme for new Supervisory Board members.

Principle #9 The Company's Supervisory Board is composed of independent members.

The Company assesses and shareholders determine the proportion of independent members of the Supervisory Board.

Pillar Capital, AS does not meet this criterion

Given the shareholder structure of Pillar Capital, AS, the shareholders have not determined the proportion of independent members of the Supervisory Board at this time.

At least half of the members are independent.

Pillar Capital, AS does not meet this criterion

All members of the Supervisory Board of the Company are nominated by the shareholders in accordance with the share capital represented.

Independent candidates for election to the Supervisory Board shall submit a declaration of their independence.

Pillar Capital, AS does not meet this criterion

The members of the Supervisory Board declare that they have no conflict of interest and declare their intention to act in the best interests of the Company when taking up their duties as a member of the Supervisory Board.

Before the election of the Supervisory Board, the Company assesses the independence of the members of the Supervisory Board in accordance with the available information.

Pillar Capital, AS does not meet this criterion

Given the shareholder structure of Pillar Capital, AS, the shareholders have not decided on the assessment of the independence of the candidates to the Supervisory Board.

6. Principles for determining the remuneration of the Supervisory Board and the Management Board

Principle #10 The Company has a remuneration policy in place.

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.

Pillar Capital, AS complies with this criterion

The Company has a remuneration policy in place, developed by the Management Board and approved by the Supervisory Board. Decisions relating to the remuneration of the members of the Management Board (remuneration, bonuses, etc.) are taken by the Supervisory Board. Decisions on the remuneration of Supervisory Board members are taken by the General Meeting of Shareholders. The members of the Management Board of Pillar Capital, AS are remunerated in accordance with the remuneration policy for their service on the Company's Management Board, while the additional duties (as CEO, CFO, Development Director and Legal Director) are performed by the members of the Management Board without additional remuneration. The members of the Supervisory Board of Pillar Capital, AS perform their duties without remuneration.

The Supervisory Board sets financial and non-financial targets for the Management Board each year, their impact on variable remuneration and monitors their achievement.

Pillar Capital, AS complies with this criterion

One of the Supervisory Board's main tasks under the Supervisory Board's Regulations is to approve the Company's financial plan and budget, to assess, analyse and control its implementation during the reporting period (at least quarterly) and to make recommendations to the Management Board of Pillar Capital, AS for future periods. Pillar

Capital, AS has established and the Supervisory Board has approved the Company's rules for bonuses - for the achievement of set targets, which form a variable part of the Management Board's remuneration.

Members of the Supervisory Board shall not be paid a variable remuneration or any compensation in the event of removal or resignation.

Pillar Capital, AS complies with this criterion

The members of the Supervisory Board serve without remuneration.

The Management Board shall report annually on the remuneration granted to each current and former member of the Management Board and the Supervisory Board.

Pillar Capital, AS complies with this criterion

The Chairperson of the Management Board of Pillar Capital, AS prepares an annual report on the remuneration of the members of the Management Board, which is submitted to the Supervisory Board of the Company for approval. Supervisory Board members work without remuneration.

7. Organisation of the Supervisory Board's work and decision-making

Principle #11 The organisation of the work of the Supervisory Board is defined and understood.

The Supervisory Board shall organise its work in accordance with its Regulations and calendar of work.

Pillar Capital, AS complies with this criterion

The functions of the Supervisory Board are set out in the Articles of Association of Pillar Capital, AS, which are available on the Company's website www.pillar.lv, as well as in the Supervisory Board's Regulations, which set out the Supervisory Board's main tasks, its rights, the participation of Supervisory Board members in meetings and the procedure for making decisions, as well as the responsibilities of Supervisory Board members.

The Supervisory Board holds at least one separate meeting per year to discuss the Company's strategy and its implementation.

Pillar Capital, AS complies with this criterion

The Company's Supervisory Board's oversight of the activities of the Pillar Capital, AS Management Board includes oversight of the Company's achievement of its objectives, corporate strategy and risk management, the financial reporting process, the Pillar Capital, AS Management Board's proposals for the use of the Company's profits and the conduct of the Company's business in accordance with regulatory requirements. The Supervisory Board of Pillar Capital, AS shall deliberate and express its opinion on each of these matters at least once a year, and the results of the deliberations shall be reflected in the minutes of the Supervisory Board meetings.

The Company's budget shall provide the necessary funding for the operation of the Supervisory Board.

Pillar Capital, AS complies with this criterion

The corporate budget provides for the funding necessary to support the Supervisory Board, i.e., the administrative expenses of the Supervisory Board secretariat. The members of the Supervisory Board of Pillar Capital, AS perform their duties without remuneration.

The Supervisory Board shall conduct an annual self-evaluation of its work, the results of which shall be examined at a meeting of the Supervisory Board.

Pillar Capital, AS does not meet this criterion

The Supervisory Board has assessed the need for committees (if a committee has been established, see principle #12.1.)

Pillar Capital, AS complies with this criterion

At present, the Company has no committees. The functions of the Audit Committee are performed by the Supervisory Board of Pillar Capital, AS itself.

Principle # 12 The Supervisory Board takes informed and considerate decisions.

The Supervisory Board has timely and sufficient access to information prepared by the Management Board for decision-making.

Pillar Capital, AS complies with this criterion

The Supervisory Board of Pillar Capital, AS and each of its members are responsible for having at their disposal all information necessary for the performance of their duties, which may be obtained from the members of the Management Board of Pillar Capital, AS or, if necessary, from the Company's employees and external consultants. In order to ensure the exchange of information, the Chairman of the Supervisory Board of Pillar Capital, AS communicates regularly with the Management Board of Pillar Capital, AS, including the Chairman of the Management Board, and discusses all major issues related to the Company's operations and development strategy, business activities and risk management.

The Management Board is obliged to submit to the Supervisory Board for approval those matters which, in accordance with the Articles of Association of Pillar Capital, AS, available on the Company's website www.pillar.lv, the Articles of Association of subsidiaries and the Company's internal regulatory documents, require the Supervisory Board's consent, by sending a relevant notice together with the resolution adopted at the meeting of the Management Board and relevant materials to the Supervisory Board's e-mail address. The Supervisory Board shall, within ten (10) working days of receipt of the notification, consider the matter and send to the Management Board the minutes of the Supervisory Board meeting with the vote for or against the matter or the Chairman's proposal to postpone consideration of the matter.

The Supervisory Board shall determine the procedures for the circulation of information, including the right of the Supervisory Board to request information from the Management Board necessary for the Supervisory Board to take decisions.

Pillar Capital, AS complies with this criterion

The Company has established a document management policy which sets out the information management procedures. The Supervisory Board of Pillar Capital, AS and each of its members are responsible for ensuring that they have at their disposal all information necessary for the performance of their duties which may be obtained from members of the Management Board of Pillar Capital, AS or employees and external advisors of the Company.

A member of the Supervisory Board analyses the information and prepares proposals for the Supervisory Board decision.

Pillar Capital, AS complies with this criterion

The members of the Supervisory Board of Pillar Capital, AS have sufficient time to perform their duties successfully and to act in the best interests of the Company. It is a Supervisory Board member's duty to make his or her position clear when taking decisions.

In making its decisions, the Supervisory Board assesses the risks, short- and long-term impact on corporate value, sustainability and responsible development.

Pillar Capital, AS complies with this criterion

Each member of the Supervisory Board of Pillar Capital, AS takes responsibility for the decisions taken. The members of the Supervisory Board shall observe generally accepted ethical principles and the best interests of the Company in making any decision relating to the Company.

Principle # 12.1 The Committee prepares proposals for decision by the Supervisory Board.

The Supervisory Board shall determine the tasks of the Committee and the arrangements for organising its activities.

Pillar Capital, AS does not meet this criterion

The Supervisory Board shall establish a committee of at least 3 Supervisory Board members with appropriate experience and expertise in the defined area of the committee (remuneration, nomination, audit or other).

Pillar Capital, AS does not meet this criterion

It analyses the information and prepares proposals for decisions by the Supervisory Board, and informs the Supervisory Board of its work.

Pillar Capital, AS does not meet this criterion

8. Prevention of conflict of interest

Principle # 13 Members of the Management Board and 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.

The Supervisory Board shall define the indications of a conflict of interest and establish procedures for the prevention and management of conflicts of interest.

Pillar Capital, AS complies with this criterion

The rules of procedure adopted by Pillar Capital, AS address the points on the prevention of conflicts of interest:

- ✓ Conflict of interest;
- ✓ Company interests, employee conduct and interactions,

defining the signs of conflict of interest that may arise in the working environment, and the head of unit shall prevent conflicts of interest from arising. No member of the Management Board of Pillar Capital, AS shall tolerate even the appearance of a conflict of interest in his or her activities. In making decisions, a member of the Management Board of Pillar Capital, AS shall be guided by the interests of the Company and shall not use offers of cooperation made by the Company for personal gain. A member of the Management Board of Pillar Capital, AS shall immediately notify the other members of the Management Board of the existence or mere possibility of any conflict of interest. A member of the Management Board of Pillar Capital, AS shall declare any transaction or contract that the Company intends to enter into with a person who has a close relationship with a member of the Management Board of Pillar Capital, AS or who is a person related to a member of the Management Board of Pillar Capital, AS, as well as any conflicts of interest that may arise during the term of the contract.

Members of the Supervisory Board or the Management Board shall 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.

Pillar Capital, AS complies with this criterion

A member of the Management Board and the Supervisory Board of Pillar Capital, AS shall not participate in the adoption of decisions where the interests of the Company conflict with the interests of the Supervisory Board, members of the Management Board or persons related to them. In making decisions, a member of the Supervisory Board of Pillar Capital, AS shall be guided by the interests of the Company and shall not use offers of cooperation made by the Company for personal gain. A member of the Supervisory Board of Pillar Capital, AS shall immediately notify the other members of the Supervisory Board of the occurrence or mere possibility of any conflict of interest. A member of the Supervisory Board of Pillar Capital, AS shall declare any transaction or contract that the Company intends to enter into with a person who has a close relationship with a member of the Supervisory Board of Pillar Capital, AS or who is a person related to a member of the Supervisory Board of Pillar Capital, AS, as well as any conflicts of interest that may arise during the term of the contract.

Persons subject to the conflict of interest obligation receive regular training on how to deal with conflict of interest situations.

Pillar Capital, AS complies with this criterion

9. Shareholders' Meeting

Principle #14 The Company shall provide shareholders with timely information on the conduct of the Shareholders' Meeting, providing all information necessary for decision-making.

The Company shall inform shareholders in good time of the agenda, proceedings and voting procedure of the Shareholders' Meeting, as well as of any changes thereto.

Pillar Capital, AS complies with this criterion

Pillar Capital, AS informs the shareholders in due time about the Shareholders' Meeting. All shareholders of Pillar Capital, AS have equal rights. According to the Articles of Association of the Company, all shares of Pillar Capital, AS are voting shares of the same class, which means that each shareholder has the right to participate in the Shareholders' Meetings and management of Pillar Capital, AS and to receive dividends. Shareholders' Meetings of Pillar Capital, AS

shall be convened by the Management Board of Pillar Capital, AS, subject to prior approval of the Supervisory Board of Pillar Capital, AS for the convening of the meeting and the matters to be discussed thereat. All decisions on matters to be considered at Shareholders' Meetings shall be made in accordance with the procedures set out in the Company's Articles of Association. Shareholders have an interest in the efficient management and operation of the Company and will therefore do their utmost to cooperate and facilitate the decisions of Pillar Capital, AS Shareholders' Meetings and the Supervisory Board to be taken as far as possible by consensus in the long-term interests of the Company. Other terms, conditions and procedures relating to the management, procedures and other matters of the Company shall be determined by a shareholders' agreement of Pillar Capital, AS to be entered into in accordance with the procedure established by law.

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.

Pillar Capital, AS complies with this criterion

Shareholders are provided with the opportunity to receive all necessary information about the Company in a timely and regular manner, to participate in meetings and to vote on agenda items. Pillar Capital, AS shall take all possible steps to ensure that all shareholders participate in the Shareholders' Meeting by giving timely notice of the place and time of the Shareholders' Meeting in accordance with the provisions of the laws and regulations. Shareholders shall be informed of the convening of an Ordinary Shareholders' Meeting immediately after the decision to convene the meeting has been adopted. Given that Pillar Capital, AS is a closed joint stock company with a small number of shareholders, notices of the Shareholders' Meeting are not published on the website of Pillar Capital, AS, however, in accordance with the laws and regulations, written notices of the Shareholders' Meeting are prepared and delivered to the shareholders.

The Company provides shareholders with the opportunity to submit questions on items on the agenda and draft resolutions prior to the Shareholders' Meeting.

Pillar Capital, AS complies with this criterion

The Company provides shareholders with the opportunity to submit questions on items on the agenda and draft resolutions prior to the Shareholders' Meeting. Each shareholder is given sufficient time before the meeting to read the draft resolutions to be considered at the meeting. The draft resolutions in full are attached as annexes to the notices convening the Shareholders' Meeting.

Draft decisions and accompanying documents provide detailed, clear and complete information on the matter under consideration.

Pillar Capital, AS complies with this criterion

The notices convening the Shareholders' Meeting, which are delivered to each shareholder, contain comprehensive information on the organisation, location and voting on the resolutions to be adopted, as well as information on the agenda and the draft resolutions to be voted on at the meeting. Shareholders are also informed where they can go to get answers to any questions they may have about the Shareholders' Meeting and the agenda.

Principle #15 The Company promotes effective shareholder involvement in decision-making and the widest possible participation of shareholders in Shareholders' Meetings.

The Shareholders' Meeting shall be convened and held at a place and time convenient for the shareholders.

Pillar Capital, AS complies with this criterion

Pillar Capital, AS shall take all possible steps to ensure that all shareholders participate in the Shareholders' Meeting by giving timely notice of the place and time of the Shareholders' Meeting in accordance with the provisions of the laws and regulations.

The Company provides the possibility for shareholders to participate in the Shareholders' Meeting remotely.

Pillar Capital, AS does not meet this criterion

Pillar Capital, AS Shareholders' Meetings are held in person.

The Company determines the appropriate length of the Shareholders' Meeting and gives shareholders the opportunity to express their views during the meeting and to obtain the information necessary to make decisions.

Pillar Capital, AS complies with this criterion

All items on the agenda of the Shareholders' Meeting of Pillar Capital, AS shall be considered. According to the Articles of Association of Pillar Capital, AS, all shareholders have equal rights. The Shareholders' Meeting of Pillar Capital, AS adopts resolutions by a majority of the votes of the shareholders entitled to vote present. If the agenda of the Shareholders' Meeting of Pillar Capital, AS includes any matter(s) for which the consent of 100% of the shareholders is required, and even one of the shareholders objects to the consideration of such matter, the objecting shareholder shall be entitled to request that the consideration of the matter be postponed to the next Pillar Capital, AS Shareholders' Meeting to be convened not earlier than ninety (90) days after the initial shareholders' meeting, but not later than one hundred (100) days after the initial shareholders' meeting, unless all shareholders unanimously decide to convene a Shareholders' Meeting within a shorter period of time.

The Company shall call a new general meeting if the items on the agenda cannot be dealt with in the time allowed.

Pillar Capital, AS complies with this criterion

The shareholders shall consider the items on the agenda of the Shareholders' Meeting at the scheduled time of the meeting on the same day.

The Company invites the members of the Management Board, the Supervisory Board, the nominees to the Supervisory Board, the auditor, the internal auditor and other persons to participate in the Shareholders' Meeting in accordance with the matters to be considered at the meeting.

Pillar Capital, AS does not meet this criterion

The members of the Management Board and Supervisory Board of Pillar Capital, AS attend the Shareholders' Meetings of Pillar Capital, AS, but the auditor does not attend the Shareholders' Meetings. The nominees for the Company's officers, if their election is scheduled at the Shareholders' Meeting, shall also attend the Shareholders' Meeting. If a candidate for office is unable to attend the Shareholders' Meeting for an important reason, it is permissible for that person not to attend the Shareholders' Meeting. In this case, all relevant information about the candidate is disclosed before the meeting.

The Shareholders' Meeting adopts resolutions in accordance with the draft resolutions previously announced.

Pillar Capital, AS complies with this criterion

The Shareholders' Meeting is entitled to adopt resolutions on the draft resolutions previously announced. The Shareholders' Meeting is entitled to adopt resolutions on amendments to the Articles of Association of Pillar Capital, AS, election and recall of members of the Supervisory Board, increase or decrease of share capital, termination or continuation, suspension or renewal of the Company, liquidation and reorganisation of the Company, provided that not less than 100% of the share capital of Pillar Capital, AS is represented at the Meeting.

Principle #16 The Company develops a dividend policy and discusses it with shareholders.

The Company has developed and published an up-to-date dividend policy.

Pillar Capital, AS does not meet this criterion

The Company does not have a dividend policy.

The Articles of Association of Pillar Capital, AS, which are also available on the Company's website www.pillar.lv, provide that dividends are to be paid only in cash on the basis of a resolution of the Shareholders' Meeting on the distribution of profits. Dividends may also be declared and calculated from profits earned after the end of the previous financial year (extraordinary dividends). The Shareholders' Meeting shall adopt a resolution on the extraordinary dividends no earlier than three months after the previous Shareholders' Meeting's resolution on the payment of the dividends. The Management Board shall not convene a general meeting if, according to the statement of operations prepared for the period in which the extraordinary dividends are paid, the Company does not have a profit. For the purpose of determining and paying extraordinary dividends, the Shareholders' Meeting and the Management Board shall follow the procedure for determining and paying extraordinary dividends set out in the laws and regulations.

The dividend policy is discussed with shareholders during the Shareholders' Meeting.
Pillar Capital, AS does not meet this criterion

10. Transparency of company's operations

Principle #17 The Company regularly and in a timely manner informs shareholders and other stakeholders about the Company's business activities, financial performance, governance and other relevant matters.

The Company discloses complete, accurate, objective, up-to-date and truthful information in a timely manner.
Pillar Capital, AS complies with this criterion

The Company has an independent auditor selected annually to provide accurate, objective and fair information about the Company to the Management Board, the Supervisory Board and Pillar Capital, AS.

The Company discloses information to all shareholders at the same time and to the same extent.
Pillar Capital, AS complies with this criterion

Pillar Capital, AS discloses information about all shareholders on the Company's website **www.pillar.lv**.

The Company shall disclose on its website information about its management, strategy or lines of business and publish financial statements and other information in accordance with Annex 1.
Pillar Capital, AS partially meets this criterion

Pillar Capital, AS website **www.pillar.lv** contains information on the Company's management, activities, audited financial statements, information for shareholders and investors, list of shareholders, Management Board, Articles of Association.

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.
Pillar Capital, AS complies with this criterion

Pillar Capital, AS website is available in three languages - Latvian, English and Russian.

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